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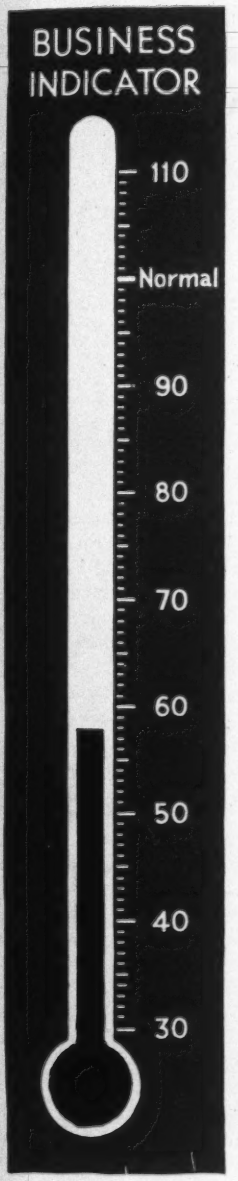
THE BUSINESS WEEK:

MARCH 16, 1932



Psychological convalescence from the panic stage of depression continues steadily . . . . The narrow fluctuations and slight uptrend of stock prices and the strong, continuous rise in bonds since early January are encouraging surface symptoms . . . . Steady decline in bank suspensions, unseasonal lessening of outstanding currency, and slight increases in member bank deposits and reserve balances are of more basic significance . . . . Expectations of persistent Federal Reserve pressure continue, but signs of any very vigorous seasonal expansion of member bank credit needed to replace depleted purchasing power, improve employment, increase consumption and stimulate business activity are still lacking . . . . In consequence commodity prices show no sustained strength and most industrial and trade indicators at the outset of March are at best stagnant and barely holding their bottom levels . . . . The liquidity complex in banking policy continues, and the fiscal philosophy exhibited in the sales tax and other features of the new federal revenue proposals is likewise persistently deflationary, in pointed opposition to other attempts of the Administration to promote expansion . . . . The strengthening of sterling and the swift improvement in prospects in Britain under intelligent monetary and trade control policies are in striking contrast to the desperate struggles and slow progress of Continental countries in trying to maintain stability under the burden of the gold standard.

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THE BUSINESS WEEK (with which is combined The Magazine of Business) March 16, 1932. No. 132. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H.McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N.Y., under the act of March 3, 1879. Printed in U.S.A.

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This Business Week:

Thirteen signposts point the road to reconstruction; this week's tabular review of important factors in recovery is, in the main, favorable. *(p. 5)*

Washington

To balance or not to balance the budget? That is the question which is worrying Congressmen and business men. To balance is to increase the burden on business just when it is struggling to rise again; to defer the day of reckoning is to pay heavily in future taxes, perhaps in present effect on the federal financial position and the bond market. The question is more important than the tax bill which seeks to answer it. *(p. 7)*

The end, balance of the budget, hardly justifies the means: the sales tax. This is "fiscal suicide" because it throttles purchasing power. *(Editorial, p. 40)* A detailed examination of the principle reveals its evils. *(p. 8)*

Foreign

The New and the Old World are admittedly interdependent; all along, each has insisted that the upturn depended on the other. As might be expected, developments which have eased the situation have been simultaneous: over here, a right-about-face against deflation; over there, various factors—financial, economic, and political—contribute to a new feeling of confidence. *(p. 5)*

In France, importers of American radios are fighting the sudden government quota; various other items of Franco-American trade will be affected by the decision. *(p. 30)*

What little wheat grows on that right little, tight little island is of little importance—except in time of war. Just in case, Britain is keeping her farmers interested. *(p. 31)*

Cables from abroad show world business on the mend. To be watched: German elections and finances; Central European trade policies; England's "comeback." *(p. 32)*

Finance

The deflation of capital, following the deflation of prices and purchasing power, is beginning. This lowering of fixed charges to present profit levels is part of the expected process of equalization which will bring production, consumption, and overhead into workable alignment. *(p. 10)*

Right now, gold is worth more in goods sold and services rendered; this stimulates gold mining, lures jewelry to the melting pot, releases India's yellow hoard. The increasing supply is another leverage for inflation, and better prices. *(p. 26)*

Declines in bank loans and investments were the only flies in the soothing ointment of world credit news. Currency came out of hoarding, open market operations continued, brokers' loans rose, we gained gold. *(p. 38)*

Marketing

Air-conditioning is well on its way to become an important new industry. The power, chemical, refrigerator, and ice industries all have an eye on its potential possibilities. *(p. 11)*

The railroads are giving it a great boost. With a new non-toxic, non-inflammable refrigerant, cooled cars may now use city tunnels. *(p. 12)*

Cigarettes are again 2-for-a-quarter, in spite of the manufacturers, who haven't reduced wholesale prices because of hinted future taxes, impending tobacco price increases. *(p. 13)*

Trade-marked coal made possible market-building advertising for the brands with gratifying results. *(p. 13)* Coal country railroads are taking an active interest in mines on their lines, merchandising and advertising the coal. *(p. 14)*

A new survey provides actuarial information on retailers; its mortality tables show that the first year is the hardest. *(p. 16)*

Production

Petroleum production control is well enough at the wells, but at the refineries—due to large stocks of ready-to-sell gasoline—oil men are not so refined. *(p. 19)*

Steel companies have found out that a million times nothing is still nothing; that increased volume at loss-prices means only increased losses. Now they are determined to raise prices. *(p. 21)*

Textile mills will continue their curtailment through elimination of night work. *(p. 27)*

Labor

After years in committee, the Norris anti-injunction bill emerged, received the whole-hearted approval of Congress. The bill is the end of Labor's long fight to limit the powers of federal courts in labor disputes, insure justice for the worker. *(p. 20)*

Transport

Southwestern railroads are in earnest in their efforts to corral traffic. *(p. 23)* A cut in the I.C.C.'s budget foretells repeal of recapture. *(p. 23)* The 20th Century will let your associates ride as far as Harmon, thus adding an hour to the business day. *(p. 24)* Buses are hot after traffic with improved service and promotion. *(p. 24)*

Figures

Business activity still fails to show the usual seasonal improvement. Ford business is a prospect rather than a reality. February's gains in construction are slight, confined to non-residential and public building. *(p. 36)*

PROTECTION

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending March 12, 1932

Europe Shows Signs of Upturn; Reasons Lie Below the Surface

Quiet conferences among France, Germany, Britain arouse hopes, but many knotty problems remain

EUROPEAN NEWS BUREAU (*Cable*)—Europe is regaining confidence. The panic—largely financial—which has gripped the Continent, and to a slightly lesser extent Britain, since the collapse of the Credit-Anstalt last May is loosening its hold.

There are a handful of factors covering broadly most of Europe to which this new optimism can justly be attributed. One is the reflected beneficial effect of the credit expansion policy in the United States. If France at first was inclined to fear inflation, that fear has been removed. There may still be disapproval in Paris but it is increasingly negligible. Britain frankly approves.

Perhaps second in importance is the spreading conviction that Europe is developing, behind the scenes, definite plans for the Lausanne conference, due in June. Europe believes that France and Britain are quietly in process of ironing out differences, preparing to present an agreed-upon program. Best opinion is it will reduce, not abolish, reparations and be followed by a request for American concessions.

Signs of Rapprochement

A third factor has come up in recent weeks, portends far more than it accomplishes. France has completed a new economic treaty with Italy, is negotiating with Germany broader trade compacts which have been suggested by the Franco-German Economic Committee set up last October (*BW—Oct 7'31*). Two features of that committee's program were (1) the working out of a satisfactory revision of the old Franco-German trade treaty which would provide lower tariffs, and (2) new cooperation between German industry and French finance.

The fourth significant development which justifies a degree of hope for sound European development is the sponsoring, by France, of an economic union of Central European states in the Danube valley.

If there are grounds for optimism in the turn of events, still it is premature to accept them as signs that Europe has turned the corner and passed completely out of danger of economic setbacks. Rather, they should be accepted as definitely hopeful signs, not allowed to obscure a number of difficult problems not easy to solve, a number of facts not to be ignored.

Hastily scanning the principal European economic centers, *The Business Week's* representatives in London, Berlin, Paris, Vienna, offer summary facts to guide American interpretation of the current situation.

Great Britain: The most hopeful developments in Europe, in fact the only really significant gains, have been made by Britain in recent weeks. Even these are due to a series of short-term forces acting simultaneously. Financially, the outstanding development is the payment to the United States, 6 months before due, of $150 millions of the $200 million credit granted last August by a syndicate of 110 American banks. The cut in the discount rate has failed to dampen investor interest. Money is still pouring into London from the Continent. Demand for sterling pushed the exchange rate up 20 points within 24 hours, but bankers look on the pound at $3.70 (now at least) as an artificial technicality, expect to see the rate steady itself once more near $3.50.

The Industrial Pickup

Industrially, there are several encouraging factors. British industries are almost sure to benefit, if only temporarily, from the tariff which became effective Mar. 1. Textiles have enjoyed a pickup already and attribute it to the tariff as well as to the Chinese boycott of Japanese goods.

Also, there is a hope that the negotiations between textile workers and

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes appear in bold type, unfavorable in italics

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	**Mar. 9**	**—0.7**	**—1.5**
90 Stocks (Standard Statistics)	**Mar. 10**	**+0.3**	**+16.6**
40 Bonds (Dow Jones)	**Mar. 10**	**+2.2**	**+5.5**
Brokers' Loans	**Mar. 9**	**+11.5**	**+13.6**
Member Bank Borrowings from Federal Reserve	**Mar. 9**	**—9.7**	**—8.7**
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	**Mar. 9**	**+5.4**	**+1.3**
Bank Failures — Number	**January**	.....	**—6.7**
U. S. Gold Stock	**Mar. 9**	**+0.3**	***—0.9***
Member Bank Reserves	**Mar. 9**	**+0.4**	**+0.3**
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	**Mar. 2**	***—0.4†***	***—2.3***
Fisher's Wholesale Price Index	**Mar. 4***	***—1.3***	***—2.0***
The Business Week Index	**Mar. 5***	**+0.5**	***—6.0***
Employment — Manufacturing (89 industries)	**January**	.....	***—2.8***

*Week Ending †But deposits increased; favorable

The Business Week

employers, under way now for 3 years, are about to be settled (page 31).

To these bull factors can be added the steady flow of Indian gold coming to London, the improved budget position due to payment of three-quarters of the taxes, instead of one-half, in January, and the prospect of new industries now locating in Britain to avoid the tariff.

British Tariff Hopes

To see only encouragement is to overlook one vitally important condition. After nearly a century of free trade, Britain in introducing tariffs is bound to feel some momentary benefits. Long-term prospects, however, cannot be predicted until July, when Britain and the Dominions will gather at Ottawa to bargain among themselves for empire preference. Britishers are sanguine, perhaps a little over-hopeful, of the benefits they can expect. Outsiders, even the Dominions themselves, are inclined to "wait and see." But until that conference, Britain is loyally refusing to make any new trade treaties which might prejudice the bartering at Ottawa. When that is finished there will be important agreements with Scandinavia, Argentina, others.

Germany: Three developments in the last 2 weeks have taken away a part of the tension in the Reich: (1) reorganization of the "big 4" banks, including the writing off of last summer's disastrous runs; (2) renewal of the $100 million B.I.S. credit for 3 months which removes for an equal period the greatest danger to the Reichsbank—an upset of the stability of the German mark; (3) inauguration of the new "standstill" on commercial obligations which eases German financial tension by providing for reinvestment within Germany on a long-term basis of maturing foreign credits, and promises only rational withdrawal of systematized payments so as not to jeopardize the mark.

Moratorium Still a Threat

Other developments in Germany can scarcely be described other than as "less pessimistic." As recently as February, *The Business Week's* European office hazarded the prophecy that, unless trade conditions improve, and quickly, Germany (and other European countries) would be forced into a general transfer moratorium within 90 days.

Later (*BW—Feb24'32*) the Berlin representative, sitting in conference with 30 outstanding German industrialists, reported that they considered a moratorium as a matter of course.

Basis for this belief among thinking Germans is simply explained. With almost every form of "invisible" income gone—tourists, interest on foreign investments, shipping—there is only a favorable foreign trade balance from which to meet foreign loan charges, maturities. From the high of nearly $100 millions last October, this favorable balance dwindled to a bare $25 millions in January, less than half the December total, and barely enough to meet current debt payments abroad.

When the Reichsbank's inability, until recently, to collect more than one-quarter of the foreign exchange from export proceeds (over imports) is recalled, it seems inevitable that this means an actual deficit, notwithstanding the fresh standstill agreement on short-term obligations.

In the face of this dire prediction there is at least one potentially hopeful sign. As though realizing suddenly the seriousness of Germany's position, and at the same time acknowledging her inability to pay without a chance to sell abroad, there are definite signs within the last few weeks that France is going to cooperate. Whether or not it is resorting to more extensive Franco-German trade merely to work out a sort of payment-in-kind of reparations to France, there is the chance that it will become a distinct aid to German industry. France's recent import quotas (many of them favoring Germany) point strongly to a developing policy of economic rapprochement which, if successful, would go a long way toward facilitating a reparations settlement. Perhaps it is going too far to anticipate French cooperation in expanding German markets beyond the demands of reparation.

Hitlerism Slipping

Worth following is the trend in Germany. If trade revives, unemployment declines, and distress is relieved, election results will reflect it. Hitlerism is less popular now than in December. Whether Hitler wins or loses in the first (Mar. 13) or second (one month later) presidential balloting, there is a second chance to show his strength in the all-important elections to the Prussian Diet (Prussia is more than two-thirds of Germany both in population and area). Hitler's strongest allies are distress and despair. If a deepening crisis swells further the 6 million unemployed, if more thousands of small manufacturers and traders go bankrupt, his day may still come.

France: Economic conditions in no European country present a greater paradox than in France. With the largest gold reserve in Europe, with the Paris Bourse enjoying a virtual boom (until this week) and that due to not a little investor interest by even the conservative peasant, French unemployment is climbing rapidly, industrial activity is rapidly contracting, government revenues dwindling. Wholly and partially unemployed now exceed 3 million. Iron and steel production have fallen away 12% since December, are 37% below levels a year ago.

France's visible balance of trade is usually unfavorable, is balanced by such invisibles as tourist expenditures, investments, shipping. None is producing effectively this year. To counteract the falling off of exports at a more rapid rate than imports have been reduced, the government has instituted import quotas, incurred much ill-will.

French "Peace" Treaties

Perhaps the most encouraging factor in France is the recently concluded trade agreements with Italy and Germany, and prospect that France, already allied with Czechoslovakia, Yugoslavia, and Rumania, will be successful in pushing into existence a "Danubian economic union" to include these countries as well as Austria and Hungary. Austria is on the verge of bankruptcy; Hungary only slightly less badly off.

Central Europe: The first really hopeful sign of bringing to an end the trade paralysis in Central Europe is the move by France to promote an economic union among these states.

The proposal was announced at the same time the Finance Committee of the League of Nations was sitting in Paris trying to settle on some method of aiding especially Austria, Hungary, Greece, and Bulgaria, whose finances are in a muddle because of the exchange barriers which are stifling their trade.

Danubian Difficulties

Real difficulty is the fact that government exchange regulations in each have stopped the normal flow of trade. And yet, if lifted, there are other economic difficulties. Czechoslovakia, for example, which markets her manufactures largely outside of Eastern Europe, would have little to gain immediately. Then Czechoslovakia and Austria, only 2 members with an appreciable manufactured surplus, together would not constitute a sufficiently large market for the wheat of Hungary, Yugoslavia, and Rumania, unless they were willing to ruin their own farmers.

Politically, Germany will oppose the move. It is merely the substitution of France for Germany in the plan Germany had in mind last year of creating an *anschluss* with Austria. Further-

Keystone

BERLIN BOERSE REOPENS—*Members gather on the steps for the first time in 5 months as the Boerse opens with all the excitement of a big day. Trading was brisk, although official quotations are not yet permitted*

more, Germany is the largest single customer of Eastern Europe.

If it is true that Italy and Britain are behind the move sponsored by Paris, and if Franco-German rapprochement is sincere, the uniting of these states economically might make them effective bargainers for a larger share of Europe's business. The practical and political obstacles, however, cannot be ignored.

More Important than Tax Bill Is Question of Budget Balance

WITH the new bill as the immediate focus, Congress is to make a decision regarding the financial policy of the United States government of much more far reaching importance than simply the points at issue in the bill.

The question is whether the federal budget is to be balanced, exclusive of debt retirement, in the fiscal year beginning next July 1 (and probably the year following) or not.

If it is to be balanced, $1,240 millions of revenue must be provided or expenses be cut that much. And even this will bring a balance only if the admittedly optimistic estimates of receipts made by the Treasury materialize.

If it is not to be balanced the government must raise $1,240 millions of new money by borrowing, less whatever progress is made in the direction of a balance, and with the amount open to the same question regarding its adequacy.

The Administration, the House committee which drafted the bill, and a large number of experts believe that it must be balanced. They propose to achieve this end by raising $1,120 millions of new receipts, of which higher or new taxes would provide $1,096 millions and increased postal rates would bring $25 millions, and by reducing expenditures $125 millions, a total of $1,246 millions. The new taxes proposed are:

Manufacturers sales tax, 2½%	$595,000,000
Higher individual income taxes	112,000,000
Higher corporation income taxes	21,000,000
Higher estate taxes	35,000,000
Higher amusement taxes	90,000,000
Higher stock transfer taxes	28,000,000
Lubricating oil tax 4¢ per gallon	25,000,000
Taxes on malt syrup 35¢ per gallon, grape concentrates 40%, wort 5¢ per gal.	50,000,000
Taxes telegraph, telephone, cable, radio messages	35,000,000
Tax 1¢ per gallon imports gasoline, gas, oil, fuel and crude oil	5,000,000
Lesser deductions for capital losses and other administrative changes	100,000,000
	$1,096,000,000

The House probably will pass the bill. Its fate in the Senate is a little more dubious. The political strategy of the Democrats is this: they believe Administration estimates too optimistic. They are willing to let time demonstrate the fact. Therefore, they will not fight Treasury estimates. It is recognized that war debt payments have been included by the Treasury because to leave them out would be awkward diplomatically. We must publicly assume the payments will be made.

Major Decision Called For

Necessitating a major decision of financial policy is the government's financial position. The fiscal year ended last June 30 resulted in a deficit of $902.7 millions. For the first 8 months of this fiscal year governmental receipts were down 33%, expenditures were up 34.6%, resulting in a deficit of $1,779.1 millions Mar. 2, compared with a deficit of $326.8 millions a year earlier. This fiscal year therefore is beyond any change; the government will close it June 30 with a deficit above $2 billions.

The fiscal year beginning next July 1 is the question, and it is for that year that even the admittedly optimistic estimates now indicate a deficit, excluding debt retirement, of $1,240 millions.

Contrasting Views

Those who hold that the budget must be balanced base their arguments both upon what they see as inevitable if it is not balanced and upon the benefit they believe will come if it is balanced. To drift on with an accumulating deficit and the consequent necessary borrowing means that the problem would only be postponed, that the enormous borrowings necessary would add the heavy fixed burden of interest to an amount

that must be paid in the future by taxes at that time. That is, fixed charges would be increased when fixed charges already are a major difficulty.

What Borrowing Means

This extensive borrowing would inevitably cause steadily increasing interest rates, and the Treasury already is paying more for short term money than it paid for long term money only a few months ago. The increasing supply of government securities at higher rates would depreciate the price of those already outstanding, thus weakening all financial institutions just at a time when frantic efforts are being made to relieve those very institutions. Finally, the money available for investment will be absorbed by the government instead of being available for business when the present program is seeking desperately to increase the amount available for business. What little money business would get would have to be taken at the increasing interest cost, while one aim at the present is to decrease the interest cost.

The favorable results of outgo equalling income are appreciating government securities, with consequent further fortification of the financial institutions, adding another urge for them to expand credit, as desired, and the avoidance of heavy interest costs loaded on the future.

Opposing this school of thought are those who object to higher taxes as an obstacle to business when it is struggling to recover. This, they say, is pure deflation piled on top of over-deflation that already has occurred in every field. Periods of prosperity are the times in which to levy taxes; depression the time to lift them. They urge that the burden be placed on the future which (they trust) will be better able to bear it than the present.

Those who take this point of view say government borrowing should be financed by inflation, which in itself will raise prices and end the depression. If the investment markets are unable to provide funds for the government, as is probable, the Federal Reserve banks could and should pump this credit in the market. Many members of this school of thought urge even greater lengths: not only should the budget be left unbalanced, but heavy additional borrowings should be made, the proceeds to be used in public works to stimulate business and relieve depression.

The alternative is reduction of government expenditures. This is entirely impossible. A huge total of expenditures cannot for political or other reasons be reduced. Demands on the government steadily increase due to depression.

Sales Tax Falls on Consumers Just When Buying Power Is Vital

Business likely to find it brings heavy burdens of accounting and federal supervision

THE manufacturers sales tax under which the new tax law expects to raise more than two-thirds of the increased tax revenue to balance the budget is the second federal experiment in this form of taxation in the country's history. A production tax similar to the one now proposed was applied in the Civil War period from 1862 to 1870. In 1921, an attempt was made to introduce some form of general sales tax, but failed.

West Virginia is the only state that has tried a general sales tax. Several other states have turnover or gross income taxes on business, similar in character to sales taxes but different in effect in that they bear principally on business and not on consumers. Two dependencies, Porto Rico and the Philippines, use general sales taxes.

Almost every country in the world except Britain has some form of turnover or general sales tax, and the manufacturer's excise tax used in Canada is similar to the production tax proposed for this country. In most countries sales taxes have come to be important sources of revenue, constituting in some cases as much as a third of the total. Once established they are not easily abandoned but are usually elaborated and extended till they include every business transaction, even the sale of services.

The Canadian tax upon which ours is modeled is complicated, difficult, and costly to administer, which is one reason why the Treasury did not recommend it. Exemptions and allowances for imports and exports are hard to handle so as to avoid discrimination or evasion, and the more exemptions and special provisions there are the greater the administrative cost. The Canadian type of tax imposes great burdens of accounting and reporting upon business concerns.

The Significant Aspect

The most significant aspects of the new production tax from the point of view of business are:

It will probably stimulate considerable advance buying before it goes into effect 30 days after passage, to escape the tax. This should intensify the spring spurt in trade, with a corresponding let-down afterward.

It introduces the principle of federal licensing of all manufacturers, wholesale dealers, importers and exporters over a certain size and subjects their books to federal scrutiny. This is potentially a step toward federal incorporation and closer federal supervision of business.

It increases the cost to business of making tax payments and keeping records.

It puts an additional burden on farmers: the prices of their products will not be raised; the prices of most of the manufactured commodities they buy will be. It will thus intensify the disparity between farm prices and other prices.

While it will tend to raise the price level, which would ordinarily lighten debt burdens, the effect of such a rise due to a sales tax will not have this beneficial effect because individual and business incomes will not be increased proportionately and farm incomes not at all.

Of Uneven Incidence

It is bound to bear unevenly upon different lines of business and introduce new competitive differentials. The smallest concerns exempt from taxation will have some advantage over the big fellows in selling tax-free, but the exemption of $20,000 gross annual sales is so low that this will not matter much. Concerns selling articles at standard prices may have difficulty in passing on the tax, except as they reduce quantity or quality and leave the price unchanged, or share the tax burden with distributors. This may give a certain advantage to producers of non-trade-marked or unpackaged goods.

The production tax will discriminate heavily against industries in which initial production costs are a large part of the price and fall lightly on those in which distribution costs are the most important element. Since the tax is to be imposed only once in all the stages of production between manufacturer and

Acme

THE TARIFF RUSH—*Stevedores strain to unload the ships which raced to England to discharge cargoes before the tariff went on Mar. 1. The "President Harding" docked in the Thames for the first time; American evaporated milk, part of her cargo, is here transshipped to river barges*

final consumer, it is likely that those industries in which distribution costs are large will be able to make the distributors absorb the tax. In a period of depression and severe competition it is likely that in industries with high production costs the tax will tend to be absorbed by the manufacturer. When accounting and reporting costs are added, it is evident that the tax will result in wide changes in the relative profitableness of different industries.

Luxuries Hit Hardest

Producers of a few necessities like raw foods will be least affected, but highly processed food products, clothing, and other necessities will bear the burden. Imported products like tea and coffee in general use will not be taxed. Luxury and high living standard products will be most severely hit. These are industries in which capital investment has been heaviest in recent years, and in which labor released by the older industries has been for the most part absorbed.

The development of new products, upon which great reliance is placed for relieving technological unemployment, will probably be retarded as consumer purchasing power is perforce diverted from such expenditure and confined to sheer necessaries.

The production tax is a consumption tax and must operate to reduce consumption when purchasing power is lowered as a result of depression. This means increased unemployment and further reduction of purchasing power. The $770 millions to be raised by consumption taxes would employ probably a half-million men for a year at prevailing wages, but it will not be spent that way. This type of taxation is, therefore, conducive to further deflation at a time when other efforts are being made to offset and check deflation. In those industries directly affected profits and security values will be further reduced as increased prices cut down sales or as the tax is absorbed.

The Long Prospect

If it becomes a permanent part of the fiscal system it may have serious effects on future business expansion. Not only may it bring about, as indicated above, widespread dislocation of industries because of its uneven burdens, but its crimping effect on consumer buying power may slow up the rate of industrial expansion as it has in European and other backward countries. Since most of the goods produced are consumed by people with low incomes the sales tax bears most heavily on this class, and most lightly on groups with larger incomes who spend only a small part for goods and services and invest the surplus.

Where Tax Money Goes

So far as funds collected by the tax are paid out by the government in wages and salaries the result is a mere shifting of purchasing power from one group of consumers to another, without any net increase in purchasing power in the consumer market. But the sales tax takes some purchasing power from the consumer market and turns it over to the investment market, since a large part of public expenditure goes to investors for interest and retirement of fixed debts.

Thus the net outcome is a relative increase in the amount of investment money available to enlarge productive capacity and a decrease in the amount of consumer purchasing power for the products of industry. Since over-capacity is already the principal problem confronting business and investors in established industries and since the value of capital investments depends altogether upon the expansion of consumer buying power, the long-run effect of the sales tax is likely to contribute to depreciation of security values.

Some Rough Estimates

The importance of these considerations can be seen from the following rough facts about the incidence of the tax increases in the new revenue measure: The total increase in taxes raised under it is estimated at $1,090 millions. Assuming that the entire increase in individual income tax falls on the higher brackets—which is not true because the percentage increase in income tax on the lower brackets is greater than on the higher—about $320 millions of the total tax increase will come out of direct taxes on individuals of higher incomes and on business, and $770 millions will come out of consumption taxes. Since about 80% of the money spent for goods and services by individuals in the country is spent by those with incomes of less than $5,000 who pay little or no income tax, the burden of the tax increase must fall more heavily on this group than on the rest. They constitute 98% of all individuals in the country who have any income. It is largely for these reasons that the sales tax is likely to encounter stiff opposition in the Senate.

Business Begins to Write Down Capital to Get into Black Ink

Compilation shows movement to reverse inflation of '23-'29 is gaining speed

BUSINESS has begun to reduce its capital structure. Though the movement has not yet become general, it is increasing rapidly.

The bearing of this development upon prices and upon the competitive position of the companies affected is appreciable. It is a beginning of deflation of capital, the reaction from the rapidly rising capitalization of business from 1923 to September, 1929, which increased productive capacity to enormous totals in anticipation of steadily rising consumption and stable prices.

What Makes Red Ink

Values of properties are being written down from the pre-depression level at which they stand on books of some corporations. These capital assets are of course represented by common or preferred stock or bonds. Payment of return on securities constitutes a fixed charge. The combination of heavy fixed charges and decreasing income tends toward the red.

Dividends were naturally first to go; they still are dropping. But in many cases this has not been enough. The device then is to write down physical assets from surplus. Then surplus is reimbursed by decreasing the par or book value of common stock or by retiring preferred and/or common and putting the amount of reduction into surplus.

These changes have been made at the direct expense of companies' stockholders. Bonds remain sacred, for bonded debt can only be reduced by paying it off—or defaulting. And the fixed charge of bond interest can be reduced only by refinancing at lower rates—or defaulting. Few companies, therefore, can reduce bond charges at this particular time.

Better Looking Books

Reduction of capitalization enables the company to come nearer to profitable operation on present price levels. Stated differently, with a lesser amount of capital on which to earn returns and with unprofitable properties now written off, smaller income can still provide some profit.

The competitive position of the company thus is improved, for it can sell at present prices without endangering its financial position. The result also is that the position of the securities that remain outstanding is greatly strengthened. Those companies with heavy proportion of bonded debt are in the most unfavorable position.

Recent compilations by the New York *Sun* show that thus far in 1932, 36 corporations have made changes in their capital structures, and that action is pending in 20 more. During 1931, 176 companies took the step. The 1931 action was at the rate of 14⅔ per month; the 1932 rate is 18 per month. Of the 212 companies which have taken this action since the first of 1931, 104 have been industrial concerns, 71 investment companies, 24 insurance companies, and 13 banks.

Some of the important examples of the trend show essentially the process outlined above. Barnsdall proposes to write leaseholds now held at $20 millions down to $1, to eliminate depletion charges, and hereafter to charge off leases and lease development to operating expenses.

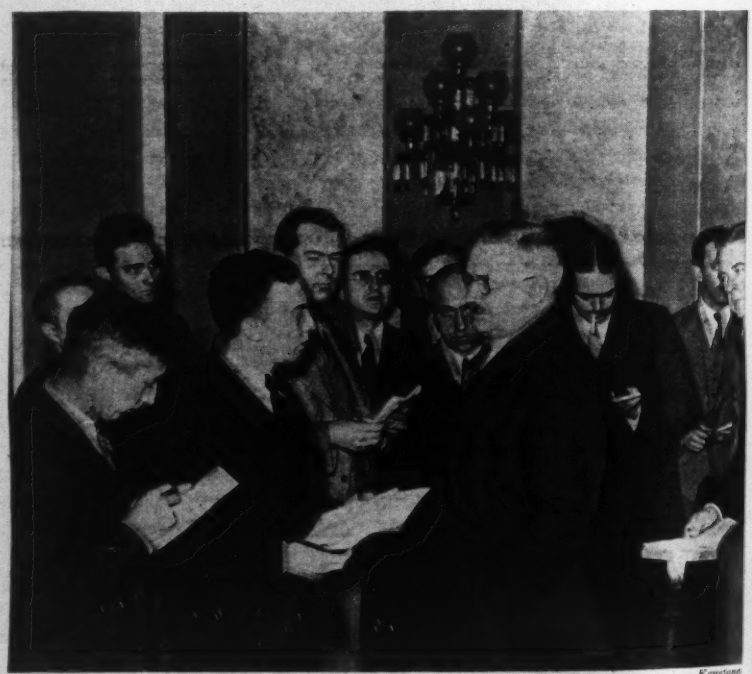
American Woolen proposes to change its $100 par stock to no par with a stated value of $5, thereby eliminating a book deficit resulting from adjustments and liquidation. Cluett Peabody stockholders have approved the cancellation of 9,000 shares of preferred and the reduction of common book value from $50 to $19.45, thus writing down goodwill from $6 millions to $1.

Further Instances

Commercial Credit proposes to retire 37,052 shares of common and to transfer $2.5 millions to surplus to cover the shrinkage of the value of an affiliate, Kemsley, Milbourn, Ltd. American Commercial Alcohol has reduced its capital to $3.8 millions from $8.7 millions and changed the common stock from no par to $10 par. Columbia Phonograph has reduced the stated value of its 85,000 shares common from $5 millions to $1.7 millions.

Bank Dividend Cuts Are Signs of Confidence

REDUCTIONS of from $4 to $3 a share in the dividend rates of the country's 2 largest banks, Chase National and National City are encouraging signs. They



Keystone

"WE'LL LOOK INTO IT"—*Senator Norbeck, hands in pockets, tells newspapermen of the impending investigation of stock exchanges (with particular attention to short sellers). He is chairman of the Banking Committee*

probably mark the beginning of a trend. Bank earnings have been cut heavily during the depression by losses on loans, depreciation in securities, reduction in interest rates. But payments have been held up by the fear that lowering them would weaken public confidence further.

Now the 2 leading banks have decided that it is safe to make the move indicated on the books, decreasing the drain upon them, permitting better conservation of their resources. Other banks through the country would like to follow suit and many probably will.

Industry Sees Air Conditioning As Eventual $5-Billion Market

Utilities, chemical industries, refrigerator builders, ice men plan aggressive campaigns

BUSINESS interests that expect to profit by it—and they are many (*BW—Feb. 10'32*)—are becoming enthusiastic over the possibilities of air conditioning. They see an ultimate market of $5 billions with much of it immediately available to aggressive sales organizations with low cost products which give satisfactory and economical results. They even go so far as to hint that this may be the industry which will take the place of the automotive industry of 1922 in bringing back prosperity.

They believe that air conditioning is rapidly becoming a necessity for hotels, theaters, restaurants, and other enterprises which depend upon public patronage; that the widespread installation of conditioned air in new buildings of these types will force older buildings to follow suit.

New Industrial Applications

Industry has used conditioned air quite widely but there remain enormous possibilities as better and cheaper equipment and methods are offered. Most industrial uses have been for quality control, as in textile and tobacco plants; the potential returns in increased output and improved products through better working conditions have not been touched. When properly exploited, air conditioning will find uses in deep-shaft metal mines, in foundries and machine shops, in paint shops, and in other industrial establishments.

Then there is the vast, almost untouched, market in the home. Many homes now being built include air conditioning equipment. Spread of air conditioning into places where home owners work, eat, and amuse themselves has stimulated their interest. Already a huge potential demand has been aroused which the industries interested in air conditioning believe can be tapped during 1932 with the many efficient, low-cost units and systems now available.

A complete system will filter, wash, heat, humidify, and circulate air in winter and filter, wash, dehumidify, cool, and circulate air in summer. The home owner need not buy all this; he can have what part he most wants.

The Common Principle

Cool air in summer can be obtained by systems tied up with warm air heating plants, or by various types of space coolers now on the market. All blow air across cooling surfaces and then distribute the air through the house. Cooling is done by refrigerants, in coils, as in mechanical refrigerators, by sprays of cold tap water, or by ice.

Water from melting ice seems to offer the most economical source when demands for cooling are small and of short duration. In fact the ice industry is much bucked up at the possibility of regaining much of its markets lost to mechanical refrigeration. The National Association of Ice Industries, in a recent convention, estimated there was a potential ice market of 27 million tons a year for air cooling in the better class homes alone. Ice manufacturers talk of a low bulk price for such customers.

Ice for Limited Use

Compared with mechanical refrigerating systems the use of ice calls for perhaps 25% less investment and lower depreciation and maintenance costs. Its operating costs are considerably higher, however, so that its use is indicated where cooling is required for only a few weeks during the summer.

When humidifying of air in winter, cooling and dehumidifying in summer are desired along with other air-conditioning factors, the mechanical plant used in connection either with a warm air heating system or with individual space coolers seems to be best adapted. Conditions and results wanted vary so widely that each installation still requires individual study.

Relative humidity of air is a most important factor both in winter and summer. Simply cooling hot summer air increases its humidity to an extent which offsets its lower temperature, so that satisfactory cooling systems must contain dehumidifiers. One of the easiest ways to accomplish this is to cool the air until part of its moisture is condensed and then reheat it to the proper temperature. Other methods use silica gel or alumina, substances which absorb vast quantities of moisture and tend to dry air passed through them.

A Winter Job

Increasing relative humidity in winter makes lower temperatures comfortable. So far this problem has been solved satisfactorily only by the use of complete conditioning systems associated with warm air heating plants or by self-contained water evaporating units available in many styles.

With so many different methods and types of equipment available now and new ones being offered almost daily, the house owner can select a system which will suit almost any pocketbook. Prices of equipment have been declining, may be expected to drop more as their market widens.

Already a number of industries are showing increased interest in the movement. Makers of refrigeration equipment, both ice and mechanical, are obvious participants; ice manufacturers, heating and plumbing engineers and contractors see huge new markets for their products and services. Chemical industries hope for improved markets for refrigerating and dehumidifying chemicals; electric and gas utilities see more home sales for their products from any increasing interest in home living conditions.

Other manufacturers in various industries from automobiles to radios, see air conditioning apparatus as something they can make with their factory equipment and are getting ready to jump in if it should prove to be as broad a market as it promises.

Home Atmosphere Placed Under Year-Round Control

To be added to the list of concerns now staking claims in the air-conditioning market (*BW—Feb10'32*) is American Blower Corp., Detroit (subsidiary of American Radiator Co.). Its bid for

the new business is the Sirocco Conditioner, a combination unit to provide year-round temperature and humidity control, air circulation and filtration.

Using the same duct system as warm air heating, the unit delivers air, winter and summer, at 70 to 80 deg. F., properly humidified and filtered for dust removal. Heat is provided by standard hot water boilers; cooling in summer by city water; humidification by spray evaporation; filtration by a cotton stocking device.

Heat and cold are conserved by repeated use of the same air volume. All operations are automatic. The humidity control is portable and can be placed anywhere in the house.

The unit is made in 3 sizes covering the residential field from an 8-room house to pretentious dwellings. Original cost is about 50% higher than a high-grade heating plant. Operating costs during winter are stated to be no more than they are with any well-designed heating system; summer costs vary according to temperature and local water costs.

Distribution of the unit will be through established heating contractors.

Railroad "Refinement" Means Air Conditioning

IMPETUS to the air-conditioning industry, now developing so lustily, is coming from railroads.

One railroader terms it "a refinement of service that we'll all have to have before long to hold what little passenger traffic is left."

Pullman put some 400 men back to work in Chicago late in February air-conditioning cars, mainly diners, for North Western, Union Pacific, Southern Pacific, and Chesapeake & Ohio. These jobs will not last long, but Pullman hopes for more like them.

The 3 Western roads are having 19 diners air-conditioned for use on the Overland Limited (to San Francisco) and the Los Angeles Limited, crack through trains. Southern Pacific has announced that the Golden State Limited will be similarly served. Rock Island is now taking bids on air-conditioning 5 diners for its end of this through train.

Experiment Proved Value

Santa Fe, having experimented successfully last year, is having some 30 dining cars treated, 25 of which will take care of all dining-car service on the 3 main trains from Chicago to the Coast, with a few spares left over for service here and there.

Baltimore & Ohio has contracted for equipment for 78 cars with York Ice Machinery Co., York, Pa., said to be the largest order yet placed. Following its successful experiments with the Columbian, first air-conditioned train placed in service last summer, B. & O. now has 38 air-conditioned cars, plans to triple this number before the summer is far advanced.

Chesapeake & Ohio is putting on a new de luxe passenger train Apr. 24. Named the George Washington and turned out in Colonial period style, it will be the first air-cooled all-sleeper. No extra fare will be charged.

Inquiry at headquarters of other railroads indicates that more business for the already numerous manufacturers of air-conditioning equipment for railroads is in the offing.

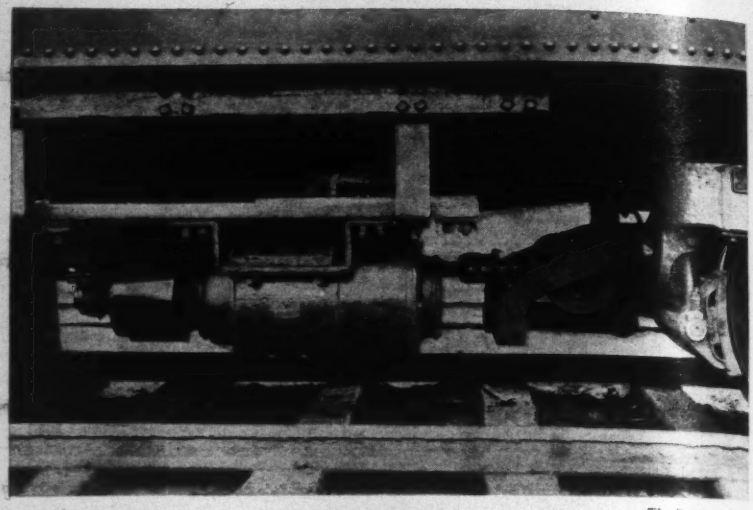
Two main groups are out after the new business. First, car manufacturers, forced by many lean months to look to new sources for business, are offering their own air-conditioning devices. Pullman has experimented with its own cars for several years and appears to be out in front. American Car & Foundry is pushing a product aggressively. The second group of competitors comprises makers of air-conditioning equipment for industry who see in the railroad field just another big market.

Once diners are air-conditioned, the treating of whole trains is likely to follow quickly. Experience indicates that passengers in hot weather will linger in cool diners rather than go back to hot Pullmans. This means that a railroad must choose between air-conditioning the rest of the train or seeing dining service slowed up.

A Sizeable Market

At $2,500 to $3,000 per car, about the present cost, air-conditioning of railroad cars means considerable business to many concerns. Pullman has some 9,000 cars of its own, which does not include the rail-owned diners, observation cars.

Great impetus is given to the air conditioning of passenger cars by the development by Kinetic Chemical Co. (DuPont subsidiary) of new non-toxic, non-explosive, non-inflammable refrigerant which may be used in cars passing through the New York tunnels. This new gas is dichloro-difluoromethane called "F-12" and "Freon" for short.



The Business Week

RAILROAD REFRIGERATING UNIT—*The new York outfit is all-electric, has 50% increased capacity in less space than earlier machines, uses the new "Freon" gas. Units are powered from axle-generators through a storage battery; each car thus has its own individual air-conditioning system*

What Congress Did

The Senate:

Adopted resolution to investigate stock exchange transactions.

Approved resolution appropriating 40,000,000 bushels of Farm Board wheat for relief purposes.

Passed agricultural appropriation bill.

The House:

Passed Treasury-Post Office appropriation bill.

Passed LaGuardia bill limiting power of federal courts to issue injunctions in labor disputes.

Cigarettes, Back at 2 for 25c, Are Again "Loss Leaders"

Which is all very well for the food stores, but, at present prices, other retailers are not so happy

ANOTHER cigarette price war is under way, and retail prices on popular brands in most territories have been cut to the former standard retail price of 2 packs (20 each) for 25¢.

Since June, 1931, when manufacturers raised wholesale prices 45¢ per 1,000 to $6.85 (*BW—Jul8'31*) bringing the cost of a pack to 12.08¢, retailers have maintained price schedules ranging from 14¢, or 2 for 27¢, to a straight 15¢ a pack except as a few chain stores or independents occasionally cut back to 2 for a quarter.

Manufacturers felt that the price rise was accomplishing its object in forcing dealers to handle cigarettes less as a loss item, more as profitable merchandise.

Grocery Chains Started It

The new fight started when nationally operating grocery chains decided to use cigarettes as loss leaders (*BW—Jan 27'32*) to bring women into their stores, knowing that 9 out of 10 women would also make purchases of food items carrying a compensating profit.

Many local food chains and independents followed the lead of the "nationals," met the 2-for-25¢ price, although some managers left the old 2-for-27¢ cards on the bins, and met the new schedule only on demand.

But the fact is that food stores feel the use of nationally advertised non-food items as loss leaders and volume builders has definite and valuable advantages, as it does not interfere with existing price schedules on the regular line, nor lead customers to watch out for extra high mark-ups there. Dealers depending chiefly upon the sale of tobacco products have always resented the food chain competition arising from this motive—which has no application to their business.

Chains Meet Chains

However, United Cigar Stores Co., with 1,200 retail stores and 2,100 agencies, and A. Schulte with over 300 stores, have met the food chains' 2-for-25¢ price. So have many independent cigar dealers, druggists, etc.

Wholesalers and retailers are now wondering whether manufacturers will restore the former $6.40 a thousand wholesale price. Some distributors hold that the June, 1931, increase was pure profiteering, that manufacturers simply decided to cash in on the established popularity of their brands. Others acknowledge that they have made better profits since wholesale prices were raised—through the price increase, through the stimulation of sales of tobacco for "makings" (*BW—May13'31*), or through the interest in new brands of lower-priced cigarettes (*BW—Dec30'31*). Makers of the new brands retailing at 10¢ a pack of 20 have increased production tremendously, bought many new machines, some reporting operations on 3-shift 24-hour schedules to meet the demand.

Those most familiar with trends in the cigarette field contend that manufacturers of popular brands must shortly come back to levels which permit dealers to retail at 2 packs for 25¢ without serious loss of margin. General conditions, the roll-your-own fad, the rapidly growing popularity of the new 10¢ brands are cited as imperatives.

Manufacturers are less disturbed over the situation, point to the remarkable 1931 performance record of important cigarette makers (*BW—Feb7'32*), to government records which show that cigarette consumption has held up better than that of other consumer goods.

They remark that there are increased federal cigarette taxes, probably many additional state taxes, in the offing, assert that only abnormally low prices on raw materials enable makers of 10¢ cigarettes to satisfy the smokers, think that new taxes and the impending rise in tobacco prices will change the entire situation, alter present retail prices on most brands. Under such unsettled conditions, they say, any change in wholesale prices would be contrary to the best interest of dealers, wholesalers, and manufacturers.

Tobacco Use Curve

Recent government reports show that the per capita consumption of tobacco products follows the general business curve but without copying its drastic fluctuations, made a peak of 111% of "normal" in 1917, stood at 105% in 1929, at 96% in 1931.

Prices of leaf tobacco as of Feb. 1 were far below 1930-31 levels, are at present below actual cost of production; flue-cured of all types is quoted at 8.5¢ a pound against a final 1930-31 season average of 12¢; burley is 9¢ against last year's 15¢; fire-cured 3.4¢ to 5.5¢, compared with 5.3¢ to 8.3¢, with prices on other grades and types correspondingly low.

Anthracite Men Find Branded Coal Helps Solve Sale Problems

Plan builds volume for innovators, checks substitution and price chiselers, holds customers

ANTHRACITE coal producers who have at last devised some method of branding their product are happy over results.

When all coal looked alike, advertising was relatively ineffective, substitution was easy. Mines and distributors alike were prey of price-chiselers.

Delaware, Lackawanna & Western Coal Co. developed and patented a process by which its coal is sprayed with a harmless blue dye, which neither increases nor decreases its effectiveness. Experimentation over a period of years proved that no amount of handling and re-handling would prevent definite identification by the final consumer.

The first intensive campaign to market trade-marked blue coal was for 1931-32. Plans for advertising and selling were based on merchandising practices successfully employed in other lines. They included national magazine, outdoor display, radio, newspaper advertising, dealer cooperation.

Dealers could select from 9 complete follow-up direct-mail campaigns and 50-odd pieces of promotional literature, the material most useful in their particular territory, while special representatives showed them how best to cash in on this new opportunity.

Remarkable results have been re-

corded. One large dealer in metropolitan New York who took on Blue coal in September, when his 1931 sales volume was 10% under 1930, finished the year with a 10% tonnage increase for 1931.

Another dealer in New York state who started handling Blue coal in 1930 did the first season 3½ times more business than previously, is for the 1931-32 season already 55% ahead of the 1930-31 record.

Gains New Accounts

A New Jersey dealer within 5 months after having taken the Blue coal agency opened more new accounts than he had accumulated in the previous 55 years of business existence.

Another survey shows that the Blue coal buyer is a better customer. Where formerly a dealer sold 25% of his coal for cash, 75% on credit, with many slow accounts, 60% of the Blue coal buyers paid cash and only 40% "charged it."

Despite unsatisfactory business conditions, an exceptionally mild winter, Blue coal dealers have either maintained or increased their tonnage, while general sales on anthracite coal are 15% to 20% lower.

Other companies have undertaken to identify their coal.

Blackwood Coal & Coke Co. marks its anthracite with a red bar, appoints one exclusive agent for trade-marked Red-Bar Coal in each community.

Dealers have found the identifying feature a valuable sales argument, particularly effective in keeping old customers, making new ones when competitors are offering unidentified coal at lower prices.

Payne Coal Co., Inc. uses cardboard discs varying in size with the coal, to identify its Orange Disc anthracite. A large list of dealers with exclusive franchise receive sales assistance through newspaper and direct mail advertising, can obtain material for 7 special campaigns, including 36 mailing pieces, 40 newspaper layouts, on a cost-sharing basis.

Dealers Increase

The company reports number of Orange Disc dealers increasing steadily, and taking a growing portion of its output, which for 1931 was only 5% under 1930 compared with a drop of over 15% in the country's total anthracite production.

Colorado Fuel & Iron Products Co. has employed several methods of identifying its coal to prevent substitution. It found air-gun stenciling effective but too expensive for present markets; now uses scatter tags in certain sizes. It reports increased domestic sales through trademarking, and expects to adopt the practice of direct branding as soon as competitive conditions in the territory permit.

Pittsburgh Coal Co. has experimented with various ways of physically trademarking its product, has not yet adopted a standard method but uses scatter-tags in some of its Champion coal shipments.

Wide World

NEW COAL STOVE—*This cook stove, exhibited at the British Industries Fair, has thermostatic control, heavy insulation, low fuel consumption*

Railroads Help to Sell Coal Mined on Lines

RAILROADS which operate in coal-mining areas have always taken a certain interest in the welfare of their customers in the coal industry. The Pennsylvania, for instance, is a great buyer as well as a transporter of coal, uses its influence as a buyer to stabilize prices for the eventual benefit of the road as a carrier.

Other roads have projected this general policy to take in merchandising of the coal by the roads for the mine operators.

The Norfolk & Western launched its coal merchandising program in the spring of 1929, with an advertising campaign in magazines and newspapers pointing out the merits of fuel mined on the road and the adequacy and efficiency of transportation on the Norfolk & Western, "Carrier of Fuel Satisfaction." Supplementing it, is a program of direct mail advertising.

Plans for the promotional work are discussed at frequent conferences with coal operators. An informal advertising advisory committee has been set up, composed of the 3 secretaries of the coal operators' associations, 3 representatives of the railway's coal traffic department, the manager of the fuel department, and the advertising manager.

Work With Consumers

On the Chesapeake & Ohio, which inaugurated this program last year, coal traffic representatives at Chicago, Detroit, Cleveland, Cincinnati, Toledo, and Richmond work closely with consumers to put them in touch with a suitable fuel supply that will be most economical. Cooperating in this work is a fuel and combustion engineer. C. & O.'s coal department is also having a series of tests conducted at the University of Kentucky to show the burning qualities of the different kinds and grades of coal produced on the road.

Both the C. & O. and the N. & W. are gratified with the results from their coal promotion, which has been a factor in the relatively better earnings shown last year by these carriers than by many other roads.

APPRECIATING the advantages of quick, statewide service, all of California's ten largest canning companies are depositors in Bank of America . . . Annually this industry packs 500,000,000 cans of fruits and vegetables, and pays out millions of dollars to growers and to 65,000 cannery workers—all in a few weeks' time! Bank of America, through 410 branches, assists this work in every producing county . . . To your business also, this Bank offers unique statewide service. Inquiries may be addressed to Bank of America in either San Francisco or Los Angeles.

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CALIFORNIA

Bank of America National Trust & Savings Association, *a National Bank* and . . . Bank of America, *a California State Bank* . . . are identical in ownership and management . . . 410 offices in 243 California communities

For Most Retailers the First 12 Months Are the Hardest

Mortality study on 11 varieties shows restaurants have shortest, drug stores longest lives

THE period during which a retail store may rightfully expect to enjoy life and the pursuit of profits is gauged by a 5-year study made by the Bureau of Business Research, College of Commerce and Business Administration, University of Illinois. This survey is especially valuable since its horizon includes stores in 255 diverse Illinois communities. Among them are 5 cities of over 35,000 inhabitants, 25 of from 7,000 to 15,000—and on down the scale to flag-stations of less than 400 souls.

As in other studies, the gloomy honor of the highest death rate belongs to restaurants. Only 35.5% of 978 Illinois eating houses survived the 5-year period. Garages came next. Of 1,595 only 49% remained alive. Third place went to groceries with 50.5% out of 3,646. Other classes followed in this order: meat markets, 53.7%; general stores, 59.5%; department stores, 61.3%; furniture and clothing stores, 63.8%; dry goods, 64.5%; hardware stores, 72.2%. Greatest vitality was shown by drug stores with a score of 75.7%.

First Year the Hardest

In all but 3 of the 11 groups, the largest number of casualties occurred in the first of the 5 years. Better financial nourishment at the start carried furniture, hardware and department stores through the initial year; but their second year showed the highest mortality rate.

The 5-year record showed the life span of the average Illinois restaurant to be 7.7 years. Perhaps the fact that they draw business that used to go to restaurants has something to do with the fact that drug stores are longest-lived, averaging 20.6 years.

Small cities (7,000 to 15,000 population) displayed the highest general mortality rate—49.3%. Towns over 35,000 had the lowest, 43.7%. In between were villages with 47.2%; 46.8% for towns of 400 to 1,000; 44.9% for those of 2,000 to 5,000.

It probably was population increase that held the total number of retailers to a small loss. The total number of concerns in business in July, 1930, was but 2.3% less than at the same period in 1925. The wider swing in particular classes ought to show something of the change in shopping habits. General stores dropped off 18.1%. There were varying reductions in the number of clothing, hardware, dry goods, meat and grocery stores. Other groups showed increases led by the always optimistic restaurants which rose 22.9%. Larger population centers (towns over 35,000) were the field for all increases. Smaller communities reported losses in numbers of retailers after 1927.

The vulnerability of towns which depend on the fortunes of a single industry was sharply illustrated by the study. Fifteen coal towns reflected the misfortunes of their commodity. Containing 10% of all concerns studied, they showed that 25.9% succumbed the first year, compared with a total average of 15.9%; the 5-year average was 53.8% mortality, against the general average of 46.3%. Total retailers in these towns fell 8.8% in one year, 26.7% in 5 years—against 0.2% and 2.3% for all retailers studied.

A special break-down of new concerns showed that only 41.3% survived 3 years of competition. During the first year 31.4% gave up the ghost, 16% the second, 11.3% the third.

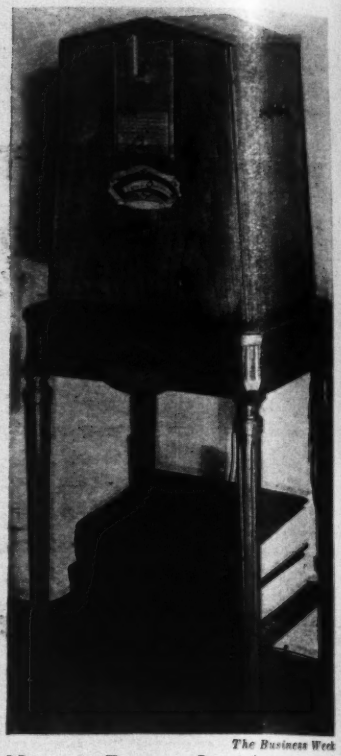
Quick-Freezing Adds Apples to Its List

THE apple is now firmly established in the rapidly growing list of fozen foods.

Under a special process developed by Le Cody–Regan Fruit Industries selected apples are peeled, trimmed, inspected, put through a vapor process to preserve color and flavor, treated to prevent oxidation and neutralize malic acid, sliced, sugared, canned in 1 gallon to 25 lb. containers and frozen.

Advantages claimed for quick-frozen apples over those preserved by ordinary canning methods are that the flavor stays in the body of the fruit, discoloration is prevented, the apple is ready-sugared for instant use.

Plans are under way for increasing production and marketing smaller-size containers to the retailer trade through jobbers.



The Business Week

METERED RADIO—*One of 500 coin-operated radios installed in the Hotel Stevens, Chicago, by Acoustic Coin Devices, Inc. Guests have their choice of stations, and a maximum volume setting prevents annoyance. Installation is on percentage, at no cost to the hotel*

Salmon Packers Expect To Hold Pegged Price

WITH only 1½ million cases of pink salmon remaining on hand, out of a carryover and 1931 pack of approximately 4 million cases, Pacific Coast packers anticipate no difficulty in maintaining the present price of $1 Coast basis. Movement through the Pacific Salmon Sales Corp., organized last fall to handle sales, has been active in recent months, stimulated by the usual increased Lenten demand.

The market was thrown into confusion at the opening last September by a price of 85¢ announced by a few packers. This cheap stock has now been sold out and officials of the sales corporation believe the $1 price will hold.

Formation of the sales corporation was the direct result of the low opening prices and its operations are declared to have been of great benefit to the industry. Each packer names his price and sells through the agency, which works on a commission basis. The organization

Extra STRENGTH *Extra* MILEAGE

You Get BOTH BY CHANGING OVER TO FIRESTONE

An Illinois truck operator averages 60,000 to 80,000 miles per Firestone tire... From Texas another reports 82,000 miles on eight Firestone Tires... In Kansas, an average mileage of 55,000 by a produce company* ... And the Safeway Stores, Inc., record of 1,500,000 miles with 150 Firestone-equipped trucks and not one hour of tire trouble on the road! Performance... not claims... tells the story.

A combination of Firestone patented construction features gives this extra strength and mileage: *Gum-Dipping* saturates and insulates every cotton fibre of every cord with live rubber and transforms the cotton cords into a tough, strong, sinewy unit. *Two Extra Cord Plies Under the Tread* form a stronger bond between tread and cord body, and add greater protection against punctures and blowouts. *Scientifically Designed Non-skid* gives extra safety and longer non-skid wear. All these are extra values that you get at no added cost.

Ask the Firestone dealer near you to show you actual cross-sections cut from Firestone Truck Tires for comparison with other makes. See or phone him TODAY.

***Names furnished upon request.**

When you order new hauling equipment insure maximum mileage by specifying Firestone Gum-Dipped Tires—with Firestone Puncture-Proof Tubes —on Firestone Rims.

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Annual Statements January 1, 1932

THE TRAVELERS

Hartford, Connecticut

L. EDMUND ZACHER, PRESIDENT

THE TRAVELERS INSURANCE COMPANY

Sixty-eighth Annual Statement

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$70,932,415.00	Life Insurance Reserves		$537,068,053.57
Other Public Bonds	92,702,718.00	Accident and Health Insurance Reserves		9,283,694.15
Railroad Bonds and Stocks	79,758,966.00	Workmen's Compensation and Liability Insurance Reserves		49,656,736.70
Public Utility Bonds and Stocks	76,544,360.00	Reserves for Taxes		3,512,128.55
Other Bonds and Stocks	48,154,903.00	Other Reserves and Liabilities		2,619,046.98
First Mortgage Loans	115,921,897.85	*Security Depreciation Reserve		7,726,633.00
Real Estate	21,675,811.62	Special Reserve		9,340,996.50
Loans on Company's policies	106,171,003.04	Capital	$20,000,000.00	
Cash on hand and in Banks	12,103,472.32	Surplus	22,313,717.52	
Interest accrued	8,972,347.28			42,313,717.52
Premiums due and deferred	28,331,806.50			
All Other Assets	251,306.36			
TOTAL	**$661,521,006.97**	TOTAL		**$661,521,006.97**

THE TRAVELERS INDEMNITY COMPANY

Twenty-sixth Annual Statement

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$1,715,282.00	Unearned Premium and Claim Reserves		$9,649,196.70
Other Public Bonds	2,165,135.00	Reserves for Taxes		298,394.71
Railroad Bonds and Stocks	3,119,595.00	Other Reserves and Liabilities		517,390.61
Other Bonds and Stocks	9,909,337.00	*Security Depreciation Reserve		661,853.00
First Mortgage Loans	312,500.00	Special Reserve		2,275,698.40
Cash on hand and in Banks	1,730,823.36	Capital	$3,000,000.00	
Premiums in Course of Collection	2,017,157.56	Surplus	4,667,918.04	
Interest accrued	100,567.54			7,667,918.04
All Other Assets	54.00			
TOTAL	**$21,070,451.46**	TOTAL		**$21,070,451.46**

THE TRAVELERS FIRE INSURANCE COMPANY

Eighth Annual Statement

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$2,090,324.00	Unearned Premium and Claim Reserves		$10,078,455.09
Other Public Bonds	1,246,570.00	Reserves for Taxes		256,770.09
Railroad Bonds and Stocks	2,755,528.00	Other Reserves and Liabilities		45,483.13
Other Bonds and Stocks	6,456,539.00	*Security Depreciation Reserve		519,756.00
First Mortgage Loans	250,000.00	Special Reserve		1,181,435.05
Cash on hand and in Banks	1,756,259.49	Capital	$2,000,000.00	
Premiums in Course of Collection	1,205,015.14	Surplus	1,828,605.22	
Interest accrued	129,835.06			3,828,605.22
All Other Assets	20,433.89			
TOTAL	**$15,910,504.58**	TOTAL		**$15,910,504.58**

**Basis of valuation of securities is the National Convention of Insurance Commissioners valuations adjusted by security depreciation reserves.*

MORAL: ***Insure in THE TRAVELERS***

MORE THAN FIFTY FORMS OF INSURANCE AVAILABLE

LIFE · ACCIDENT · LIABILITY · AUTOMOBILE · HEALTH · STEAM BOILER · COMPENSATION · WINDSTORM
GROUP · AIRCRAFT · FIRE · PLATE GLASS · BURGLARY · MACHINERY · INLAND MARINE

is also designed to eliminate objectionable practices such as secret rebates, double commissions, etc.

Present indications are that the carryover of pinks will be about 500,000 cases, the same as a year ago. The combined pack of chums and pinks last year was only 350,000 cases greater than in 1930. Already the stocks of chums have been cleaned up. Retailers have considerable stocks of pinks on hand to meet the Lenten demand but the chains have been buying from hand to mouth.

Officials of the sales corporation report an unusual chain store demand for salmon all winter. Heretofore, the best movement has been in the summer months. This change is attributed in part to judicious advertising stressing the food value of salmon, favorable prices, and the idea that salmon is a year 'round food.

Crude Oil Production Curtailed But Gasoline Stocks Keep Rising

THE petroleum industry is well satisfied with recent results of its crude oil curtailment program. After a hectic 2 months at the close of the year, when it looked as if production was going to run wild as it did last summer, daily averages are now down to last year's levels and enough below current demands to make necessary substantial withdrawals from stock.

In the midst of this latest attempt to cut production—centered on East Texas—the federal court order enjoining further use of martial law there was disconcerting. Immediate guess was that East Texas would again go wild. Events showed, however, that the Texas Railroad Commission, its authority upheld in the same opinion that ended martial law, would be able to keep control. Its first order fixed the allowable output per well at 75 bbl. per day, as it had been for about 3 weeks under martial law.

Production Under Control

While some malcontents are still trying to get court relief from production quotas, general belief is that for a while at least East Texas will cooperate in curtailing output. Thus the outlook for the industry is improved since most other major fields show no signs of insurgency.

There is not so much optimism over current gasoline conditions. Stocks of gasoline have increased steadily, are now more than 15 million bbl. in excess of what they were in October, and are nearly 5 million bbl. above stocks a year ago. This, in face of declining demand, threatens the general price structure, already has brought about a number of price cuts in Eastern and Mid-Continent markets, seems likely to start another of the deadly Pacific Coast price wars.

According to *National Petroleum News,* this condition is caused by 21 major oil companies which have refused to follow the recommendations of the economics committee of the American Petroleum Institute, have turned deaf ears on all entreaties that they adhere to the suggested schedules and permit the industry to earn a profit this year.

Strenuous efforts are being made by leaders of the industry to cut down refinery runs and to halt the increase in gasoline stocks while crude oil stocks are declining. Inasmuch as all the companies now forcing production made poor profits in 1931, the prediction is they will be in no position to withstand the pressure of the industry much longer. Refinery operations will be curtailed and gasoline stocks, now some 4 million bbl. above A.P.I. recommendations, may be brought nearer to the maximum of 43 million bbl. recommended for March stocks.

Gas Rate Investigators Can Now Cross State Line

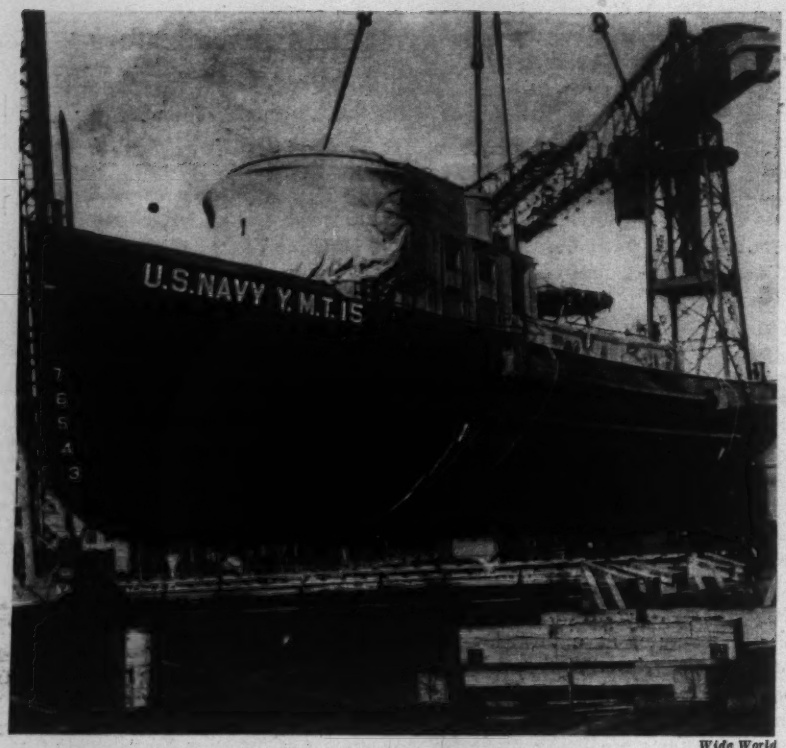
MIDDLE WESTERN communities which pay gas rates based on the charges that interstate pipe line companies levy on their local subsidiaries are looking forward to substantial reductions. The U. S. Supreme Court has just ruled that, in determining the reasonableness of these local rates, state utility commissions have a right to consider the reasonableness of the contracts with the interstate distributors. Like El Dorado, Kan., other Western towns think that such contracts hold the explanation for high rates. But, hitherto, their investigations have been stopped at state lines.

This decision marks a defeat for H. L. Doherty and Cities Service Co. in their dramatic fight against the Kansas Public Service Commission, the Kansas City *Star,* and Governor Woodring (*BW—Jul22'31*). There were other reasons given for the scrap which brought Mr. Doherty out of temporary retirement but the immediate cause was the attempt of Western Distributing Co. (Cities Service subsidiary) to get higher gas rates in El Dorado.

This was based chiefly on the plea that it had to pay 40¢ a 1,000 cu.ft. for the gas it bought from Cities Service Co. The Kansas commission refused the increase until it could determine the reasonableness of this charge by an affiliated company. Western brought an injunction and was overruled by the 3-judge Federal Court of Kansas. It then appealed to the Supreme Court, which has now upheld the lower court and the state commission.

International News

GAS MEN—*At the annual convention of the New England Gas Association, left to right: A. F. Forward, American Gas Association; R. W. Gallagher, president, American Gas Association; I. T. Haddock, president-elect, New England Gas Association; Samuel Insull, Jr., vice chairman of Peoples Gas, Light & Coke, Chicago, one of the principal speakers*



Wide World

WELDED TUG—*"U. S. Navy Yard Motor Tug 15," the Navy's first all-welded vessel, is launched by a crane at the Boston Navy Yard. She is 65 ft. long, Diesel-powered, built without a bolt or rivet*

Labor Wins 14-Year Fight For Norris Injunction Bill

BY overwhelming votes—75 to 5 by the Senate, 363 to 13 by the House—Congress, in its first record vote in 14 years of agitation, has approved the anti-injunction bill sponsored by Senator Norris; has approved it so wholeheartedly as to forecast reapproval in the face of a not unexpected Presidential veto.

The bill restricts the power of federal courts to intervene in labor disputes except where it is established: (1) that unlawful acts have been committed; (2) that substantial and irreparable damage to property will follow; (3) that the employer has no other adequate remedy; (4) that public officials will not or cannot furnish adequate protection. It further outlaws "yellow dog" contracts by which employees, upon accepting employment, engage not to belong to a labor union. It sanctions the right of workers to strike, permits trial by jury for contempt of court, gives defendants the right to be tried by another judge.

The House bill, sponsored by Representative LaGuardia, is in most respects identical with the Senate bill, and no difficulty is expected in reconciling their minor differences and sending the approved bill to the President.

His action is problematical. He has indicated that he will not countenance any move to influence state courts through an expression of national policy. This is directed against the "yellow dog" clauses of the bills which are personally repugnant to the President and might be considered unconstitutional by the Attorney-General. The fact that the Presidential favor has, on several occasions, fallen on federal judges who have figured prominently in labor injunction cases—as in the current effort to advance Judge Wilkerson to the U. S. Circuit Court of Appeals which is meeting determined opposition—leads proponents of the bills to think there may be a veto.

In view of the large votes, much larger in the House than the most optimistic expected, they have no fear of inability to repass over a veto.

The Norris bill has been languishing in the Senate for 14 years, the LaGuardia bill in the House for 8 years. Never until last year did the Norris bill see the light of day outside the committee room.

Opponents who are fearful of political reactions to their public opposition to it kept it carefully pigeonholed for more than a decade. Last year the majority of the Senate Judiciary Committee, still opposed, sought to kill off the bill by asking the Attorney-General for an opinion on its constitutionality. He refused to hold the bag, sent it back with the information that it was not one of his functions to pass judgment on pending legislation.

Then the committee, obviously tired of carrying the whole burden of delaying the measure, reported it adversely to the Senate, a most unusual action. But it was kept from a vote by Senate leaders so that last week was the first time Congress had been given an opportunity to express itself on a measure which labor and liberal opinion had been demanding for years.

"Sunshine" Milk Shines On 2 Industries

RESEARCH has made the cow a competitor of the codfish. As a result, Fleischmann has a new market for yeast; Borden, Bowman, and others have a new product to offer milk users; doctors have a new weapon to use in combating rickets in babies.

Vitamin D is the sunshine vitamin. It is the reason for taking cod liver oil, or for basking in ultra-violet rays.

The new trick is to irradiate yeast, greatly stepping up its Vitamin D content, and feed this to cows which then give "sunshine milk." Such is now being done at several certified milk farms: Walker-Gordon in New Jersey; Brook Hill in Wisconsin; and others.

Brook Hill experience shows that the proper daily ration of yeast for one cow costs 16¢. After about 25 days, the Vitamin D content of the yeast-fed bovine milk is stepped up 16 times so that from then on—so long as she gets her daily pint of yeast—each quart of her milk has the same sunshine value as 3 teaspoons of cod liver oil, the normal daily dose.

The new product has the blessing of the American Medical Association.

Within 4 weeks after starting sales of the new milk in Chicago late in January, Brook Hill stepped its volume up to 850 quarts daily at 25¢ per.

Steel Decides That Losses Never Add Up to a Profit

FACED by the necessity of raising prices which are bringing disaster to the industry because they represent less than the cost of manufacture, steel makers are making the most determined and concerted effort in several years to advance quotations for second quarter at least $2 a ton. This movement affects companies producing bars, shapes, plates, sheets, strip, and bolts and nuts.

When the demand for steel contracted to the lowest point in years late in 1931, mills became panicky and were willing to book business at almost any price in order to gain volume.

When the year was ended they discovered that the volume gain which they had thought would turn losses into a slight profit or at least into a balancing of profit and loss, actually had meant heavier losses.

Prices Before Volume

Now they see that any volume pickup must be preceded by a movement to put prices back to a level where they still can afford to live.

Whether the small, independent mills see fit to fall in line or not, the large companies are determined to hold to the new schedules. And, since the large companies are in a much stronger position to weather a financial storm, the small ones are hopefully expected to maintain the new quotations.

Sheet makers have also established extras for less-than-carload orders. They have long contended that they should have compensation for the additional expense of rolling small orders. This is the first time, however, that they have taken action to get it.

Automotive Resistance

The biggest obstacle in the way of higher prices, or "price stabilization" as the steel industry likes to put it, is the attitude of big buyers in the automobile industry. Henry Ford's recent statement that "if American manufacturers do their utmost to start the wheels of industry and the material men begin to raise prices, the whole effort may be throttled," is interpreted to mean that the Ford company will resist efforts to raise steel prices. Of course, the automobile is such a large consumer of steel (taking about 16% of entire output) that price concessions are to be expected.

Economies put into effect by steel mills in the past year make it possible to operate at a small profit at about 45% to 50% of capacity—so long as the sales departments do not give away the saving to get attractive orders.

It checks substitution at the point of sale

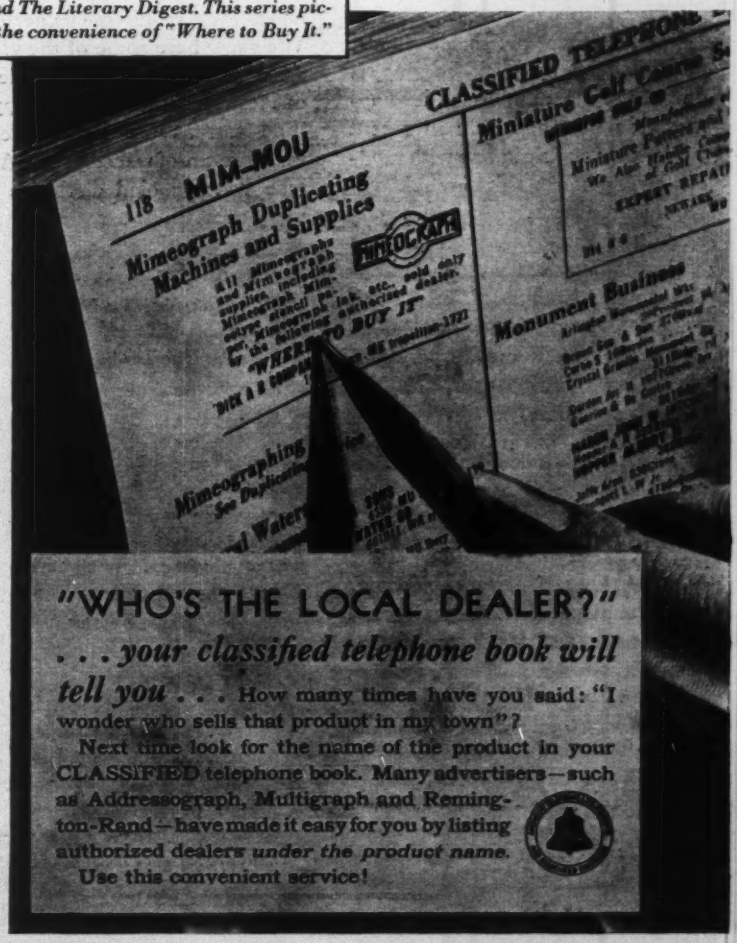
People ask for your product, but walk out with another brand. Why? Because they went to the wrong dealer!

Avoid this substitution! Direct your prospects straight to *your* dealer. List your dealers *under your own trade name* in the classified telephone books. Then refer to these listings in all your advertising and broadcasting.

Many well-known advertisers—such as Addressograph, Ford, General Electric—use "Where to Buy It" Service.

Ask your advertising agency for full particulars. Or write or telephone Trade Mark Service Manager, American Telephone and Telegraph Company, 195 Broadway, New York, N. Y. (EXchange 3-9800)—*or* 208 W. Washington Street, Chicago. Ill. (OFFicial 9300).

The advertisement below is one of a series appearing in The Saturday Evening Post, Collier's and The Literary Digest. This series picturizes the convenience of "Where to Buy It."


CLASSIFIED TELEPHONE
118 MIM-MOU
Mimeograph Duplicating Machines and Supplies
MIMEOGRAPH
"WHERE TO BUY IT"
Monument Business
"WHO'S THE LOCAL DEALER?"
. . . your classified telephone book will tell you . . . How many times have you said: "I wonder who sells that product in my town"?
Next time look for the name of the product in your CLASSIFIED telephone book. Many advertisers—such as Addressograph, Multigraph and Remington-Rand—have made it easy for you by listing authorized dealers under the product name.
Use this convenient service!

Frosted foods

Solving the problem of packaging perishables in a variety of sizes . . .

THE packaging of meats, fish and other perishable foods, made possible by quick-freezing, is one of the most important developments in the food field in recent years. Thoroughly in line with modern buying habits, this new achievement points the way to broader merchandising possibilities, new channels of distribution, and larger consumption by the public of meat, fish products, and other perishables.

The General Foods Corporation, like so many other concerns launching new products, brought the problem of packaging their frosted foods to the Package Machinery Company. They required a water-proof, air-tight package which would protect the product from desiccation—keep it thoroughly fresh and wholesome. And, the machine which performed this *wrapping had to be designed to handle packages in a wide variety of sizes.*

The new flexible wrapping machine which we developed for them meets their requirements perfectly. We show here some of the various sized packages which a single one of these machines is now wrapping. The cartons are tight-sealed in moisture-proof waxed paper. A new type water-cooled discharge conveyor cools the heat-sealed wrappers the moment they leave the heating plates. This rapid cooling of the wax results in a more secure seal. Changes from one size package to another are quickly made by simple adjustments.

Bring your problem to us

Our machines are used by the leading package goods manufacturers in many different fields. Why not avail yourself of our wide experience—to improve your package or to lower your costs? Get in touch with our nearest office.

Package Machinery Company
Springfield, Massachusetts

NEW YORK CHICAGO LOS ANGELES
LONDON: Baker Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

Wide Reading

WE CAN'T ESCAPE THE DOLE. Edward A. Block. *Forum*, March. The present depression is continuing long enough to assure us that our blundering in stabilization needs to end. Experiences with unemployment insurance.

JAPAN'S BID FOR FAR EAST SUPREMACY. Wilbur Burton. *Current History*, February. Economic rivalries behind the struggle for Shanghai.

ADVERTISING GROWS UP. Paul Hollister. *World's Work*, March. The New York battle around Macy, or Macy-inspired, advertising has brought a new code that will influence future policies of national advertisers and agencies.

THE CRISIS OF THE RAILROADS. Edward M. Barrows. *Review of Reviews*, February. Clear, unbiased statement of the difficult situation of the railroads. Broad, inclusive, enlightening.

20TH CENTURY, LTD. *World's Work*, February. The dress and pocketbook of the country's best-known train.

ECONOMIC AGREEMENTS, A FACTOR OF BUSINESS RECOVERY. Jean Parmentier. *Executives Service Bulletin*, February. A French banker's views of the benefits which come from international conferences.

THE DEADLOCK IN CENTRAL EUROPE. R. W. Seton-Watson. *Contemporary Review* (London), February. Population problems in the countries formed by Versailles. Significant table of the main European minorities.

CAN WE PRACTICE ECONOMY AND STILL IMPROVE OUR ADVERTISING? William A. Kittredge. *Printed Salesmanship*, February. A recognized typographer and designer gives some suggestions on "display" in advertising, some hints on how to improve layout without extra charge.

THE REBIRTH OF QUALITY. Henry Eckhardt. *Advertising & Selling*, Feb. 17. People are tired of "cheap goods." They want quality, even if it costs more.

LOW FEVER AND SLOW FIRES. Arthur Pound. *Atlantic*, March. The struggle of the farmers explained. Remedies, and the probable outcome.

STEEL AND ART—ALLOYED. John W. Higgins. *Executives Service Bulletin*, February. "Perhaps the last hope of retaining the metal trades in New England lies in abandoning heavy commodities that sell for less than 20¢ a pound, and alloying the remaining products with fine arts."

PORTRAIT OF AN INTELLECTUAL. John R. Tunis. *Harpers*, March. Portrait of the super-professor type—machine made—and often employed by business as a "specialist."

REPORTS—SURVEYS

THE WORLD WHEAT SITUATION, 1930-31. Food Research Institute, Stanford University, 198 pp., $2. A review of the crop year: supplies, price movements, international trade, consumption, tariffs and milling regulations.

PRINTING PLANT MANAGEMENT. H. R. Lewis. W. B. Conkey Co., 51 pp. The relation of management to craftsman and the customer.

Southwestern Roads Have Never Become Too Old to Learn

In fact, they are showing tricks to the trucks in the fight for traffic

SOUTHWESTERN railroads are not watching their traffic decline without a fight. In many cases, they are working out new methods, new services, to take better care of their customers' needs. Traffic promotion work is being stepped up in this crucial period.

Missouri Pacific has launched an extensive advertising campaign to carry its message to manufacturers, buyers, and travelers. Space will be taken in business papers, general magazines, and newspapers to reach the greatest cross-section of business men. Every Missouri Pacific employee, in addition to his regular duties, is enrolled as a booster for freight and passenger traffic.

The Cotton Belt advertises the "fastest freight train in America." Operated at passenger train speed with only 7 scheduled stops, the "Blue Streak" hauls l.c.l. merchandise from St. Louis to Shreveport, La., overnight, to reach consignee's door the next morning. Intermediary delivery is performed by Cotton Belt trucks operated between scheduled rail stops.

All Southwestern roads participate in the store-door pickup and delivery tariff made effective last October (*BW—Sep9'31*). Over 3,000 places already have this service; arrangements are being made to include more. Practically all reliable truckers have been enlisted in cities where the tariff is in effect.

Bus subsidiaries of railroads are being made to play their part. Missouri Pacific is pushing forward its highway expansion program, claims to have saved—in operating expenses of trains removed, stations discontinued—sufficient to pay well on its investment in bus equipment. Southwestern Transportation Co., bus subsidiary of the Cotton Belt, has discontinued operations west of Dallas and made other changes in routing to confine itself more closely to territory served by Cotton Belt rails.

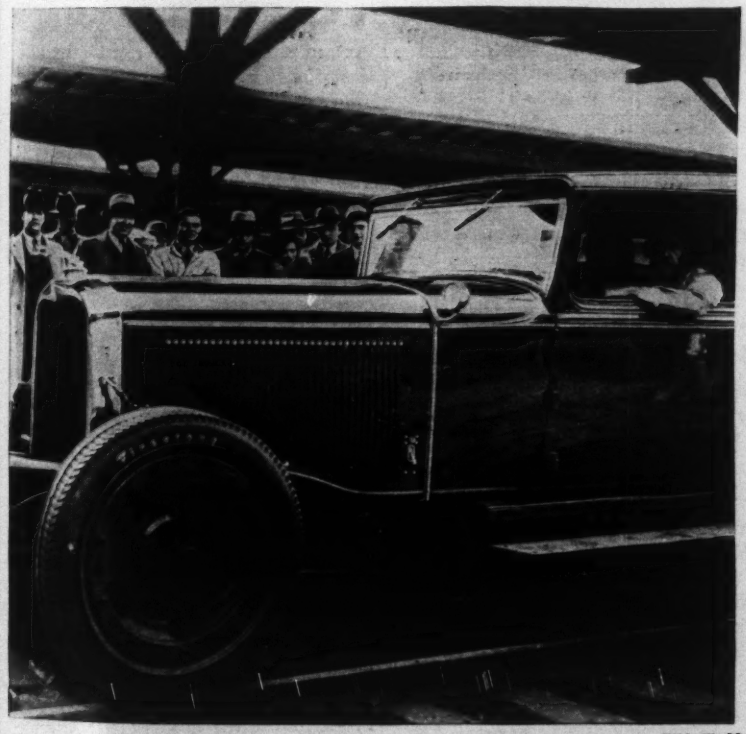
Railway Express Agency, feeling the effects of improved freight service and slackening traffic, has embarked on a campaign to push its facilities for local drayage. Railroads have so far failed to utilize its trucks for store-door service.

To meet truck competitors offering late receiving hours, railroads now receive freight until 5 p.m. or later. Formerly, freight house doors closed at 4.

Freight tariffs and solicitation material, once drab affairs, have been livened up by use of color. Running time for l.c.l. shipments is graphically presented. Rates from principal cities are printed for ready reference.

Believing that freight shipments bear a relation to the conditions in the territory through which it passes, one railroad has circulated instructions and dates for planting to encourage families to grow fresh vegetables; hopes that money formerly spent to buy foodstuffs will be used for buying supplies shipped in by rail.

One road is gingering up its solicitation forces by bringing in young college men, trained along sales lines. One Texas road is experimenting with pickup service for passengers at slightly higher rates (*BW—Dec23'31*).



Wide World

FIRESTONE'S RAIL TIRE—*Developed for use on new light-weight railroad cars, the new tire is tested on a heavy sedan which made the 406 miles from Miami to Jacksonville in 378 minutes. At the wheel, Clifford D. Smith, engineer in charge of tire development for Firestone*

Budget Cutters Concede Recapture Repeal

REPEAL of recapture of railroads' excess earnings, retroactive to 1920, was practically conceded last week when the House Committee on Appropriations cut $1½ millions from the Interstate Commerce Commission's budget for the next fiscal year. In reporting elimination of this item, covering the commission's expense in pressing recapture claims, the committee expressed the belief that "recapture will be retroactively repealed at this session of Congress, since the legislation for repeal has the full endorsement of the Interstate Commerce Commission and there has not been developed any substantial opposition to the repeal."

There may be some objection in the House to such forehanded economy, as the appropriation bill will come to a vote long before the railroad bill is reported by the House Commerce Committee. But the unusual procedure of the Appropriations Committee is striking evidence of the sympathetic attitude

on Capitol Hill toward legislation to aid the railroads.

The rate-making bill which would eliminate recapture and standard return is now being dressed up. Lull in the railroad company hearings this week has afforded the House Commerce Committee more time for this measure. Railroads are anxious to see how it will look when it comes out of the committee's hands.

The carriers' attention is now focused on the 4-system Eastern consolidation proceedings. The I.C.C.'s decision on this far-flung plan will follow the final argument about April 25.

Four weeks of hearings did not develop any opposition that was not anticipated. Fearing that Southern coal fields would suffer if brought under the domination of systems in the Northern fields, the 2 Virginias contended that the big coal roads—Chesapeake & Ohio, Norfolk & Western, and Virginian—should remain independent.

Reasons Why Not

With an eye to competition, Philadelphia argued that the Reading and the Jersey Central should be left as independent terminal roads. Syracuse doesn't like the prospect of being a one-road town; objected strongly to allocation of the Lackawanna to New York Central. The Toledo, Peoria & Western is one short line that doesn't want to join the plan; said it was doing very well.

On the basis of I.C.C. estimates of present-day value, the Eastern consolidation plan will concentrate in 4 systems 59,194 miles of road with an aggregate value of $8.8 billions. Pennsylvania would dominate with 17,107 miles and a valuation of $3,143,084,636; followed by New York Central with 13,434 miles, $2,502,719,622; Baltimore & Ohio with 11,979 miles, $1,639,049,245; Chesapeake & Ohio–Nickel Plate with 13,681 miles, $1,581,791,290.

Buses Bait Their Lines To Catch More Passengers

Bus companies in the long-haul business are going out after more traffic. Their determination is indicated by increased activity in improving services designed to attract passengers.

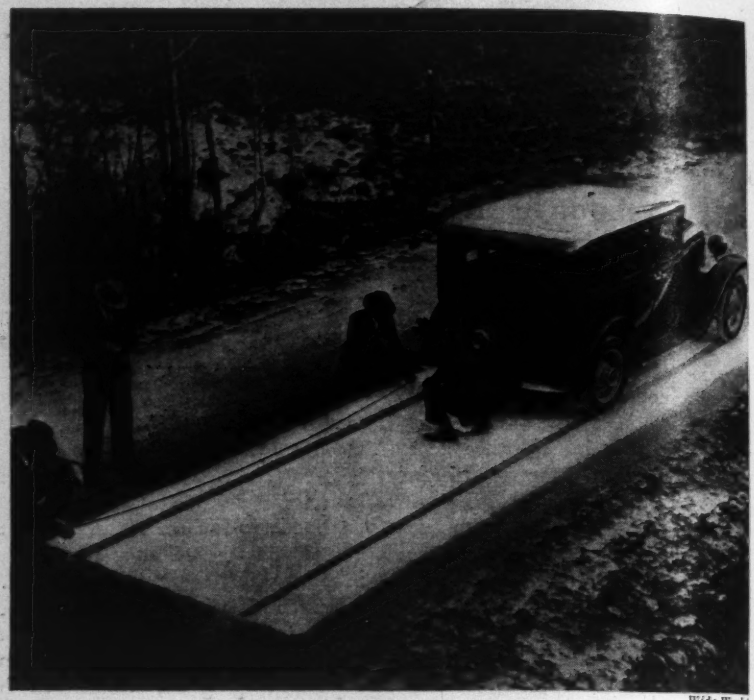
As part of such a program, Greyhound will buy 100 new buses, is constructing new terminals. Its new bus station in Cleveland was opened Feb. 28. The Short Line System has started extensive alterations on the Union Bus Terminal in Cleveland, which it took over recently. New terminal projects are under way in Columbus, Cincinnati, Washington, and Trenton. Partly responsible for the construction developments are city ordinances prohibiting the use of curbs for parking.

Traffic promotion also is being pushed ahead. Plans to increase the number of traffic solicitors on a number of lines are reported by *Bus Transportation*. An innovation will be a radio broadcast, soon to be started by Greyhound on a coast-to-coast hookup, featuring the Greyhound Traveler.

Fear Increased Taxes

There is just one thing that dampens the hopeful attitude of bus operators. It is the prospect of increased taxes. New York has already jacked up the gas tax from 2¢ to 3¢ a gallon, which will cost the bus industry $275,000 more a year. It is now contemplating a higher registration fee on buses and trucks to raise $8 millions.

The proposed federal emergency taxation falls heavily on the bus industry. The manufacturers' 2½% sales tax would affect new buses, repair parts, gasoline, and tires. On a per bus basis, this would amount to $53 a year. The 4¢ a gallon oil tax would add from $10 to $15 more per bus a year, depending on type of engine and mileage operated.



Wide World

SAFETY ROAD—*Georgia state officials test the stopping qualities of a new non-skid, "black-top," road surface developed by Warren Brothers. White limestone was used to show brake application and stopping distance*

Century Adds an Hour To the Office Day

EVEN in small ways do railroads try to please their customers these days. Until recently, it was only by special arrangement that a passenger on New York Central's Century was allowed to be accompanied by his secretary, business associate or relative between New York and the first train stop at Harmon—where steam replaces electricity—and an extra fare was charged for the 40-mile ride.

Today, this privilege is available to all through passengers on the Century, and secretaries or guests on the New York-Harmon trip pay only the regular fare between these 2 points.

The innovation has been received with favor by business men, who want to lengthen their business day by doing an hour's work on the train. Though no similar arrangement has been announced on the Chicago end, since the Century's first stop east of Chicago is Elkhart, Ind., 100 miles out, passengers are not denied the privilege when they ask for it. There is no red tape. In applying for a ticket at Elkhart to Chicago, a secretary simply tells the reason for wanting it.

Returning Chicagoans may thus get in a morning's dictation before arrival.

Western Bus Lines Eliminate Duplication

REFLECTING the coordination trend in bus operations, the Interstate Transit Lines, highway subsidiary of the Union Pacific and the Chicago & North Western, and the Pickwick Greyhound Lines have recently ended competition along parallel routes from Chicago to the West Coast via Salt Lake City.

Under the agreement, reported in *Bus Transportation*, part of the competing Pickwick Greyhound route is taken over by Interstate, part is abandoned. All told, Pickwick Greyhound gives up about 3,000 miles of route, which will reduce its bus mileage more than 550,000 miles a month.

The Interstate operators in turn, relinquish service between Kansas City and St. Louis, 278 miles; between Milwaukee and Twin Cities, 335 miles, and a short distance north of Fairmont on the Omaha–Twin Cities route. Joint operation by the 2 companies is performed only between Kansas City and Denver.

Congress Considers Bank Deposit Guarantee

ANOTHER bill to guarantee bank deposits of an even more comprehensive nature than those now pending was introduced this week into Congress by Representative Steagall, co-author of the Glass-Steagall credit expansion bill. Though not an Administration measure, it has powerful backing, supported by the continuing demand for this kind of legislation noted in *The Business Week*.

It proposes to create a liquidating Board to take over closed banks, and pay out their deposits in 20 monthly instalments. It would appropriate $167 millions from the Treasury, $130 millions from the surplus of the Federal Reserve banks, and assess Federal Reserve member banks for $170 millions more. Furthermore, after beginning operations the Board could assess the member banks an added $70 millions and thereafter $100 millions annually if needed. It also would be empowered to tax bank checks 10¢ per $100.

Certain other bank law changes are provided, the chief of which would raise the minimum of national bank capitalization from $25,000 to $50,000, plus a 10% surplus. Another would relieve bank stockholders of the double-liability provision excepting in "branch" banks.

LOOK INTO THIS BEARING SITUATION

and learn how well BRONZE *will serve You*

RUGGED, remarkably enduring, genuine Bronze and Bronze-backed bearings as made by experienced bearing specialists can be depended upon to fit your needs exactly, and have proved unequaled for a multitude of purposes. A manufacturer of lathes writes, "We have never replaced a Bronze spindle bearing and many of our lathes are still in operation that were shipped over twenty-five years ago." If you want service in a bearing, insist on Bronze.

In a great variety of industries, Bronze and Brass castings and forgings are prolonging the life of machines. For many uses there are no dependable substitutes for Copper and its alloys.

Other alloys of Copper offer advantages for special uses: some have high tensile strength, others can be welded, forged, spun and stamped with definite production savings. Still others can be machined at such high speeds that the higher cost of this better metal is more than offset by savings in machining time.

Write to us, let us work with you to determine the suitability of Copper and its alloys for your requirements.

COPPER & BRASS
RESEARCH ASSOCIATION
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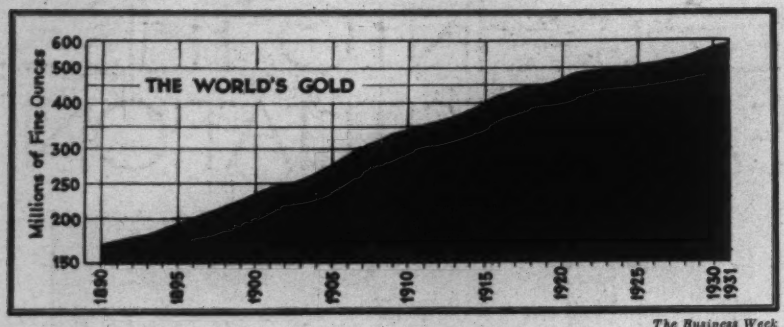


THE WORLD'S GOLD—*How the supply of monetary gold has increased since 1890. Since the war, the rate of increase has slowed up noticeably*

Increase in World's Gold Will Help Break the Money Jam

But the new bars exert no leverage in themselves; banker must supply that

IN the maze of monetary difficulties appear certain golden straws pointing toward relief. At least 4 have been blown up by the same troublous winds that have wreaked so much disturbance:

(1) The rate of world gold production is increasing;

(2) India is exporting gold from hoards accumulated through the centuries;

(3) The arts are giving up gold—transferring it from ornamental to monetary uses;

(4) Under the auspices of the Glass-Steagall bill, the United States has moved toward greater utilization of her 36% of the world's total.

These trends have not yet brought major results, nor is there certainty that they will do so. Several obstacles lie in the path to accomplishment. But there is still a possibility that these straws may be assembled into a golden sheaf whose grains would aid a hungering world.

Gold, or currency backed by gold, is the money of the major part of the world. The increasing cost of money in terms of all goods and services is an important, if not a major, cause for this depression's severity. For the appreciation of money is synonymous with the fall in prices, since prices are merely the ratio at which goods and services exchange for money. An increasing supply of gold, if used, thus tends to bring down its cost, raising prices.

Now the supply of monetary gold has begun to increase, and there are signs that the rate of increase is, or soon will be, more rapid than for a number of years. Production is stimulated by the fact that gold is now worth more in goods than it has been for many years.

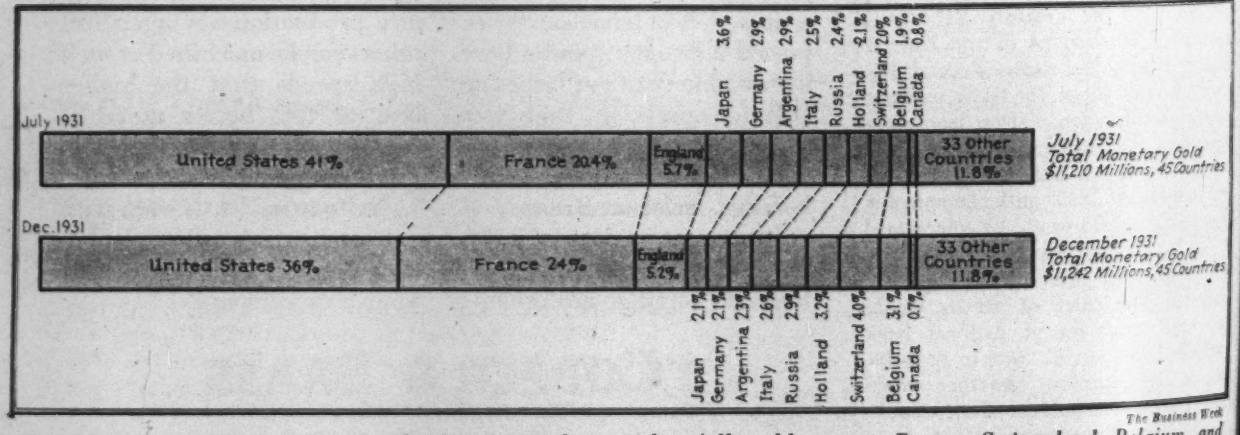
This has brought out an army of prospectors throughout the world, especially in those countries now off the gold standard where gold is at a premium in terms of their money, such as Canada, Australia, and Scandinavia (*BW—Mar9'31*). In addition, South African production, more than half of the annual total for recent years, is increasing. So is that of Russia, Belgian Congo, and New Guinea.

India Disgorges Hoard

Supplementing the rising production has been a recent efflux of the yellow metal from India to a total of about £35 millions, or about $125 millions (figuring sterling around $3.60). The Indian potentates are selling their gold at a substantial profit in sterling and in rupees, enabling them to repay debts at a heavy discount. Likewise India values silver for hoarding and she can now get it at most advantageous terms. This outflow has exactly the same effect as the opening of a rich new mine. Incidentally, it disproves one of the major conclusions of the League of Nations gold delegation: that, "there is a great quantity of gold each year absorbed by India which is likely never to reappear in the world market." India's shipments have been a major factor in strengthening the position of Great Britain.

Transfer of gold from the arts to monetary uses has been especially notable in England, where large quantities of ornaments have been sold at a high rate in depreciated sterling, to be melted.

The increased utilization of American monetary gold provided for by the



WHERE THE GOLD WENT—*During the international panic last fall, gold went to France, Switzerland, Belgium, and Holland. Since then, France has increased its holdings; despite current reports, the United States still ranks first*

Glass-Steagall measure (*BW—Feb 24'31*) means a direct increase in the monetary gold available for use. The effectiveness depends upon whether usage is actually made of the increase.

The chief obstacle to direct effect on world prices of this increase lies in banking policy, especially that of the central banks. For the increasing monetary gold must be put to use through expanded credit if it is to be effective. Should banking policy continue to operate toward higher reserves, the gold will simply be absorbed with a credit increase equal only dollar for dollar with the amount of new gold. If the banks are willing to put it to use to expand credit the results may be quite diffcrent and decidedly stimulating.

The other major question is the extent to which the increase will go. Doubts have long existed as to the possibilities of expanding production, but a prominent expert in the field holds that there is ample gold in the ground to enable huge increases. India certainly has the capacity to ship out enormous amounts, but whether she will do so is problematical. The same is true of the arts.

Textile Night Work Cut for Another Year

THE textile industry is jubilant over the success of its attempt to continue for another year the policy of eliminating night work of women and minors in cotton textile mills. Mills reporting to The Cotton-Textile Institute that they would pursue this policy for a year beginning Mar. 1, 1932, include 86% of the spindles of going cotton mills in the country and 82% of those in the night-running classification. More than 26 million spindles are affected, not including about 1 million in mills now closed which subscribed to the plan last year. Most important accessions of new support came from print cloth, narrow sheeting, and carded yarn mills.

While labeled and instigated as a humanitarian measure the policy is also one of curtailment. In many mills it is uneconomical to operate with men alone, so that elimination of night work by women and children effectually eliminates all night operations.

The reform, as such, was agitated long before its curtailment effects became desirable. Within the past 2 years need for reduced output has added impetus to the movement. On Mar. 1, 1931, 80% of the industry finally agreed to the plan.

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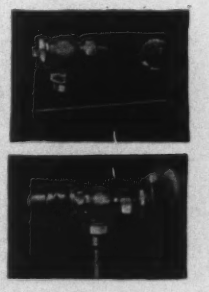

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Who . . . will get the

THE Iron Horse is about to get a lot of money—$100,000,000 a year from the freight rate rise—$210,000,000 a year from the wage adjustment—maybe many millions from the Reconstruction Finance Corporation.

Fine! But what will they do with it? They will buy things! But from whom?

The important part of the good news about the railroads is the good news that is bound to follow for thousands of other businesses and industries. Deferred electrification projects will get under way. Activity will resume in railroad repair jobs. Orders for rolling stock, materials and equipment will be unleashed.

What does this mean to your corporation? Just this: Whether you sell to railroads or to manufacturers who sell to railroads a good deal of purchasing power will start moving in your direction. A good share of this can be yours *if you want it badly enough to go out and get it.*

You have perhaps heard that "business and industry aren't buying today". That is right. They're *not* buying—*they're being sold.* The companies that are selling are the ones that are doing a thorough sales job, that are showing why money should be spent for a particular product or service. They are backing up their salesmen with forceful, well-directed advertising.

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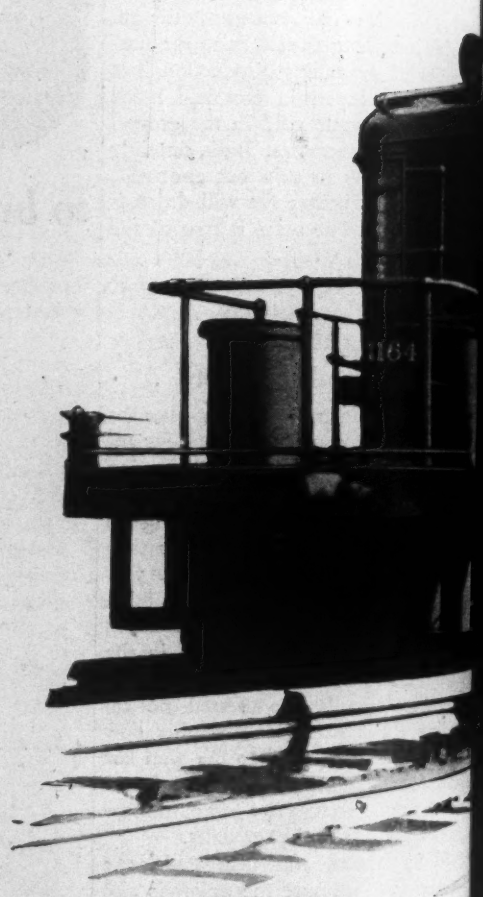

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French Importers Ask Court Test on Country's Quota System

Decision in radio case will affect many other items of Franco-American trade

EUROPEAN NEWS BUREAU—French importers of American radio sets have gone to court to contest the French government's recent radio import quota. It is a bold move but they are backed by the potent American Chamber of Commerce in France, by agreeably convincing import figures for the last 2 years, and by legal advisers.

It is the contention of these importers that the recently decreed quota on radio imports is illegal. They have the right to appeal to the French equivalent of the Supreme Court, and they are exercising it.

Significant as the move is to the American radio industry, its true importance is the effect it may have on many other items of Franco-American trade which have recently been put on an import quota basis.

In 1928, imports into France of American radio sets and parts were comparatively insignificant. Holland, Germany, and Britain held the lion's share of the business. And no radio tubes were listed as coming from the United States.

By 1931 conditions had changed. German sets were far in the lead, and Holland was second supplier. But the United States had become an important third, had quadrupled 1930 exports to France. Totals in 1931 from the 3 countries were in the ratio of, roughly, 13-9-5½.

Unexpected, Unjustified

Suddenly in January the French government announced that all radio imports were placed on an import quota basis "as of Jan. 2." No provision was made for shipments on the way to French retailers if they already exceeded the prescribed totals, which was the case with incoming American orders.

This import quota, and the numerous others that have followed it, are based on a provision in the French tariff law, according to government tariff authorities, which authorizes the government to take any steps it may see fit against the products of any country which takes measures that may discriminate against French trade. As no country has taken any such measures, certainly not the United States, it is clear that the quota decrees violate both the spirit and the letter of the law.

Of the 20 or more products which have been put on a quota basis, radios and leather goods are the 2 items with which the American trade is most concerned. If the proposed industrial machinery quota goes through, it will also affect an important volume of American exports.

In presenting their case, the American radio interests had 2 principal points of attack. It is their contention that, inasmuch as the radio quotas were determined on a basis of 1929 and 1930 imports, their portion was inordinately small since their trade quadrupled in 1931.

Their second main argument was based on the fact that in every case the other major suppliers were consulted in advance and warned that the system was coming, that it would definitely limit imports.

There is another fly in the ointment. Those familiar with the radio business in France declare the quotas were based on the 2 years—1929-30—and did not include 1931 because in that last year the Dutch sales to France fell off heavily, while Americans vastly increased their business. It was also recalled that the French Radiola Co., owned by the Banque de Paris et des Pays Bas, is allied with the Dutch Philips group which, in turn, is backed in France by the Credit Commercial de France. These interests, due to increasing American sales, recently merged after years of litigation.

Seek Early Decision

Since the quotas are set for only 3 months at a time, the case is being pressed now so that a possible decision can be reached before new quotas are established for the second quarter beginning Apr. 1, which will give Americans a fairer chance at the market they have built up. Further, if the quota scheme can be proved illegal, and soon, it may save American exporters large losses in one of their important markets.

Soyuzphoto

AMERICAN IN RUSSIA—*One of the battery of Toledo presses in the AMO automobile factory in Moscow. Here was the site of the only pre-revolutionary automobile plant, which was little more than an army supply shop. Here were made the Fiat model trucks from 1920 to 1924. Reconstructed at a cost of $45 millions, the production schedule has been stepped up from 1 machine every 4 hours to 1 machine every 4 minutes*

Britain Guarantees Price of Home Wheat

EUROPEAN NEWS BUREAU—Foreigners, familiar with news of industrial Britain, are inclined to belittle the importance to England of the domestic farmer. Not so careless is the British politician. In the country there are more than one million farmers and their wives. Their vote is important.

Also, though Britain imports twice as much wheat as she grows, domestic production is important in time of war.

Foreign wheat growers are watching with more interest than concern the wheat bill now before Parliament.

Provided: (1) A guarantee of 10 shillings a hundredweight (about $1.03 a bushel) for millable homegrown wheat, payable on a maximum of 50½ million bushels a year. If the average price of domestic wheat should fall below the guaranteed price, every registered wheat grower would be entitled to receive the difference from a fund of "quota payments," to which every miller and importer of flour will have to contribute.

(2) Quota of homegrown wheat which British millers must buy in 1932 is set at a maximum of 19.6% of consumption, based on 1931 consumption.

(3) Two new bodies will be set up: A Wheat Commission to determine annually the amount of British wheat which millers must take; and a Flour Commission to arrange for the distribution of flour to millers and bakers.

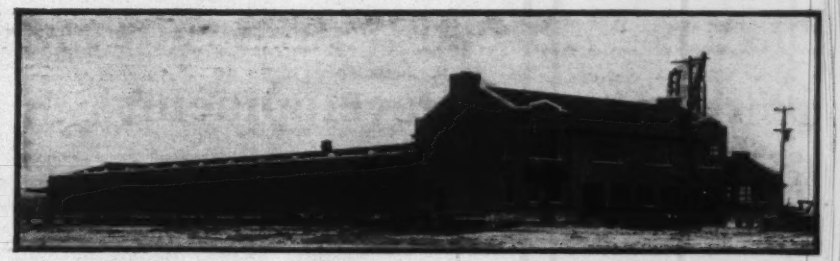
The question of giving the Dominions a guaranteed share of the remaining 80% of the British wheat market will be taken up at the imperial conference in Ottawa.

Lancashire Strike Nears Settlement

LONDON (*Cable*)—Reports from Lancashire that textile operators and owners are about to sign an agreement after 3 years of negotiations are received in London both hopefully and skeptically.

Bone of contention in the industry is the unwillingness of workers to tend more than the traditional 4 looms because of the numbers who would be thrown out of work if they accepted the proposals of owners to operate as many as 8 looms. Owners, on the other hand, say overhead must be cut if they are to compete successfully in foreign markets, particularly in the Far East.

Details of the new agreement are expected upon ratification.



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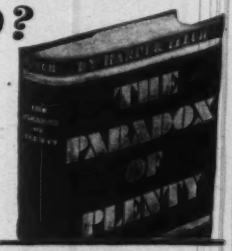

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—is the large metropolis doomed?

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Business Abroad—Swift Survey Of the Week's Developments

Concurrent favorable short-term influences combined this week to make world business appear to be definitely on the mend. . . . Britain led the advance with sterling strong, markets buoyant, unemployment down, optimism spreading. . . . France lagged; even the Bourse reacted. . . . Germany is doggedly keeping up courage, feverishly watching election trends. . . . Italy is dull, but steady. . . . The Far Eastern outlook is transiently better. . . . Elections and the financial position in the Reich, trade policies in France and Central Europe, and England's "comeback" are likely to be key factors in the coming week.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Financial recovery in Europe, marked now for several weeks, continued this week with England rushing forward into a small boom. But where fundamental economic conditions in Britain showed greater activity, justified an advance, Continental Europe generally sank deeper into economic marasmus.

No single barometer better illustrates the contrasting situation than the activity at the 2 great trade fairs now going on. London reports record attendance, widely enlarged sales at the British Industries Fair. Stimulated by tariffs and by the "Buy British" campaign, Britishers generally showed renewed enthusiasm in domestic products. Textiles particularly report large sales. On the Continent Germany's 800-year-old Leipzig Trade Fair, while it surpassed the expectations of some of the less sanguine German merchants, reported a 30% reduction in both the number of exhibits and in attendance.

Germans Concentrate on Elections

Immediate prospects are confused but widest interest is centering in the German presidential elections (Mar. 13) in which Hindenburg is still expected to win, though developments in the last few days have upset some of the dope. If the Communists decide to abstain from voting in the hope of defeating at once their great enemy, Hitler, it is possible there will be an open victory for Hindenburg in the first voting. If they vote, it is possible there will be no clear majority in the present balloting and another will need to be held a month later. But should either Hindenburg or Hitler win in the present voting, Germany's future course could be much more closely gauged.

The week's outstanding financial developments can be summarized briefly:

(1) The $100-million B.I.S. credit to the Reichsbank, on which depends the maintenance of the "standstill" agreement, has been renewed for 3 months. The demand of French participants, however, that 10% of the total be amortized, has as a result cost the Reichsbank $10 millions of foreign exchange at a time when its reserves were dangerously depleted.

(2) A period of cheaper money and easier credit is foreseen in the reduction of the British (to 4%), German, and Scandinavian bank rates.

(3) The restrictions on foreign exchange in Great Britain, imposed last summer at the time of the crisis, have been removed. In contrast new restrictions are not uncommon on the Continent.

(4) Seasonal new issue activity in Britain, France, Holland, and Italy has met with encouraging response from the public.

(5) The strong recovery of sterling indicates rapidly reviving confidence in British business and finance, while, contrariwise, the plunge of the peseta is due to the increasingly unfavorable trade balance in Spain.

Stocks React

Stocks reacted early in the week, lapsed into a period of hesitancy as if digesting new developments. Commodities, except silk which touched a new low and rubber which was irregular due to the unfavorable Dutch attitude toward restriction, generally were up. Though this was in part due to the spurt of sterling, there is still a bullish trend. There are hopes that copper interests will reach some agreement; lead producers so far have failed in their negotiations. The Sumatra tobacco crop is of exceptional quality. Dutch auctions begin Mar. 18.

The sensational rise of sterling reflects primarily the reestablishment of foreign confidence and the replacement of funds formerly withdrawn from London, but even then it is not comparable to the appreciation in the intrinsic value of the pound. It is to be expected that there will be further improvement on current psychological and mechanical factors, plus speculation. The long-term prospect, however, is still very uncertain.

The recent prolific crop of trade treaties sprouting all over Europe are a direct result of the acute paralysis of business. Between the larger powers there is a trend toward direct inter-industrial agreements which must be sanctioned by governments later. In the case of the treaties between smaller countries, most of them so far are mere 2-party agreements for handling exchange clearing and preferential practices. It is quite possible that the number of these may help prepare the way for the economic union of Central European states, long proposed and newly energized by Tardieu's proposal to extend French backing. Most interesting this week is the proposal from Paris to London, Berlin, and Rome to come to some agreement at the same time that the Little Entente and Austria and Hungary are trying to iron out trade barriers.

Tardieu's line of approach is the most practical yet made in dealing with these knotty problems. And the invitation to Germany is the most significant of many developments anticipating wider Franco-German rapprochement.

Germany

Still pressed to the wall, Germany draws courage from each new sign that business is no worse. . . . Industrial activity continues at low ebb; employment steadier. . . . Bond prices depressed on rumors of further interest cuts by state decree.

BERLIN (*Cable*)—All Germany is in a state of suspense awaiting the outcome of the presidential elections Sunday. It is possible that one of the candidates can win the required majority in this first vote, but more likely that a second balloting will be necessary. Either way, the result of Sunday's vote will give business some indication of what is ahead politically.

Only 2 factors are outstandingly hopeful. Unemployment at the end of February showed no increase, stood at slightly over 6 millions. The rediscount rate of the Reichsbank has been reduced, making it easier for business to secure necessary financing.

Though Germany is distinctly aided by the renewal for 3 months of the B.I.S. credit to the Reichsbank, the

necessity of meeting the required 10% amortization drained the Reichsbank of foreign exchange at a time when it could ill afford it. In the face of numerous more favorable prospects abroad, the government is resolved, however, to do its utmost to maintain a favorable balance of trade even if it means a ruthless throttling of the already closely guarded sales of foreign currency to importers. Because so many leaks have occurred in the past, business fears officials will find it necessary to adopt some plan for cooperative allocation of foreign currency sales in greatly reduced amounts to individual firms, or to resort to the desperate alternative of the all-round licensing of imports under government control.

German Bonds Depressed

Bond prices have been depressed again because of rumors, officially denied, that the government contemplates a fresh statutory reduction of interest rates on securities beyond those decreed in the last Emergency Decree in December.

Great Britain

Business is strongly optimistic. . . . Markets are active, investor interest sustained. . . . Long-time textile labor dispute nears solution. . . . Few unfavorable factors, but major tests to come at Lausanne and Ottawa.

LONDON (*Cable*)—In no other country in Europe is there stronger conviction that the tide has turned. Nor has any country equal justification for this conviction.

Within one day sterling forged ahead 20 points though without maintaining the entire gain. Whether or not this was partially due to a technical rally, it indicates that international confidence in the pound, and in Britain, is returning. Britishers, while enthusiastic over daily fresh evidences of returning prosperity, are not blind to the fact that there may be setbacks, and unsettling profit-taking.

Several other factors developing during the week buoyed their hopes. Unemployment in February declined. Stocks continued to climb. Investment interest held up. New issues continued to be oversubscribed. Foreign exchange restrictions are gone. Returns from the British Industries Fair were very good. The textile strike stands a fair chance of complete settlement after 3 years of negotiating. There are prospects that the new rush for trade treaties on the Continent will bring about healthier chances for developing stagnant foreign markets. Suspension of the gold standard will be extended beyond Mar. 21, probably for another year.

There are still some uncertain or unfavorable factors, even in the immediate situation. London was shocked when the newly constructed office building for Cables and Wireless, Ltd., was offered for sale this week. The structure, one of the largest and most modern of the new office buildings in London, was planned to centralize under one roof all of the empire communications. The plan is abandoned because of the effect on business of the last 2 bad years.

England continues to look forward to the Lausanne conference for adjustment of important economic tangles beyond reparations, and to the Imperial Conference to be held at Ottawa in July for the real benefits which should result from tariffs and empire preferential bargaining.

France

Industrial indicators still fail to justify financial recovery. . . . Quotas threaten fresh list of imports, including many important to U. S. . . . France gives new impetus to German and Central European trade alliances.

PARIS (*Cable*)—In striking contrast to the domestic indicators in Britain which offer legitimate backing to the recent burst of financial activity, French internal conditions remain unfavorable. Unemployment rose further last week. Iron and steel production is now 12% below the December totals, 37% below figures for this time last year. Not a single index of business indicates yet that the industrial depression has been checked.

After several weeks of increasing activity, the Bourse reacted early in the week but recovered later. Quotations were up, and sterling and dollar exchange were slightly below Tuesday's high.

There are no signs that the Bank of France is likely soon to discontinue its policy of converting foreign short term holdings into gold. Informed circles in Paris report that French bankers are planning heavy buying in Wall Street.

Briand's sudden passing has had no material effect, at home or abroad. France for some time has been working toward his dream of closer economic rapprochement with Germany, which in turn may lead to his ideal of political rapprochement. Just now Tardieu's aggressive attack on the problem of closer cooperation within the Danubian states

The Business Week

EUROPE'S LARGEST EXCHANGE—*The new Milan exchange hall will house the stock exchange, the grain, wine, and silk markets, will have electric quotation boards. Members will be called by flashing number boards*

and with major powers is making favorable progress, can conceivably become a bull factor if Germany will cooperate.

Foreign business men, particularly Americans, in Paris are alarmed over the prospect of the early extension of the French import quota system despite the widespread protests which it has already called forth (page 30). Major protest is the claim made by French radio importers that the radio quota is illegal.

France Plans More Quotas

If reports leaking out of the office of the Ministry of Commerce are true, import quotas can soon be expected on machinery, ferrous products, tinware, pencils, trunks and bags. Increased tariffs are likely on prunes and rubber products.

Besides the conditions in the radio quotas which Americans declare are obviously unfair to them, the Minister of Commerce has refused to grant a hearing to representatives of the American machine tool agents who wish to present their protests on the impending quota, on the grounds that he will negotiate only with manufacturers. This obviously makes it impossible for other than Europeans to present their cases first hand. It is known that he has already received British and German manufacturers of machine tools.

American Apples Embargoed

On top of these problems, Americans were faced late in the week with new, and serious, difficulties. On Mar. 9, a quarantine, amounting to an embargo, was placed on all fresh fruits and live plants from the United States, Canada, China, Japan, and Australia. United States apples are principally affected. Imports last year passed 35,000 tons (50% of the total coming into France), were valued at $10 millions. The quarantine was said to be necessary when apples carrying the San Jose scale were alleged to have been found.

Italy

Business depressed but steady. . . . Stocks and bonds active; evidence of revival of investor interest in new issues. . . . Fiat cuts wages, pledges not to cut employment. . . . Many new bilateral trade treaties.

MILAN (*Cable*)—Though Italy is included in most of the mentions of countries likely to be aided by pending "behind the scenes" developments in Europe, the business outlook is still depressed, though the tone is steady. Stocks are firm notwithstanding a veritable epidemic of dividend cuts, and the bond market is active. Activity in new issues has been resumed simultaneously with the spread of investor interest in northern Europe.

When Fiat, always prominent, and Società Elettrica del' Adamello, passed their dividends recently, it cast widespread gloom over the market. Now Fiat has announced a 10% wage cut, though pledging at the same time that there will be no further dismissals of workers before September, 1933, at least. Important units in the silk industry are contemplating wage cuts but none has yet been announced.

The third steamship combine within the last 2 months has been formed in Italy. Six steamship and freighter companies doing business in the Adriatic, Ægean, and Mediterranean have combined under the name "Adriaca."

Italy Makes Bilateral Treaties

Though interest just now is focussing in the announcement from Paris of plans to back a union of the Danubian states as one way of saving them from financial ruin, it has not obscured the very favorable progress Italy has made recently in negotiating bilateral treaties with France, Germany, Austria, and Hungary. Negotiations are now under way for two-party treaties with Spain and with Yugoslavia, and there is a prospect of a treaty with Russia, with whom Italy is already doing a fair volume of business.

Latin America

Colombia aids coffee exports with exchange bonus. . . . Cuba's sugar policy still vague; low prices stimulate speculative interest. . . . Argentina receives a British "electrical ambassador."

THOUGH Yankee and European optimism of the last week is scarcely reflected yet in Latin America, there were several developments of importance to business.

Colombia has issued 3 new presidential decrees. The most important to the American business man is the one which limits the purchases of foreign exchange for the payments of private debts prior to Sept. 24, 1931, including accounts for imported merchandise and advances on coffee, to 20% of the instalments without stipulating the instalment periods. The control office, which licenses the purchases of foreign exchange, is limited in authorizing weekly payments to 90% of the amount of gold and foreign exchange purchased by the Bank of the Republic in the previous week.

Coffee exporters, most of them foreigners, are aided by another decree which declares that the official exchange rate will remain at 105 pesos for $100 but that these exporters will be granted a bonus of 10% of the value of coffee exports this year. The bonus, however, is payable in the form of 6% national government bonds, which will be amortized at par beginning one year after issuance. Inasmuch as most of the exporters are Americans who buy the coffee direct for shipment to the United States, there is likely to be small aid in the new plan for native growers pinched by current low coffee prices.

Java Refuses Cuba's Terms

Cuba's sugar difficulties are still unsettled. Thomas Chadbourne has left Havana. At present there is small hope of further curtailment agreement between Cubans and Javans for the 1932 year, though before next season some new agreement may be reached. In the meantime, sugar showed some speculative interest due to record low prices.

Some interest attaches to the report from London that the British Electrical and Allied Manufacturers' Association has dispatched to Buenos Aires an "ambassador in the interests of the electrical industry." His principal functions will be to maintain contact with government officials, public utility companies, and engineers for the benefit of the joint interests of British electrical manufacturers. Britain's share in the supplying of electrical markets in Argentina in recent years has suffered as sales from the United States and Germany, particularly, have increased.

Far East

Short-term business prospects have improved in China. . . . Japan is moving promptly to consolidate her position in Manchuria, is likely to face friction from Chinese. . . . Australia removes tariff restrictions on important items in U. S. import list.

IF developments in the Sino-Japanese affair are less gloomy this week, as yet they offer small hope of any lasting settlement.

At Shanghai, it is reported that Japan has consented to meet the League's peace terms. Evidently the Japanese feel they have won enough of a victory to have saved the "face" of the government in Tokyo, and of the military, to return home and rest on the merits of

the victory in Manchuria. What success Japanese textile mills in Shanghai will have either in reopening, or in selling their goods if they can reopen, is a problem not yet solved.

In Manchuria, the Japanese are making steady progress in carrying out their ambitions. Under their tutelage, a Manchurian republic has been set up. Significantly, the new capital is Changchun, until recently the northern terminus of the South Manchuria Railway, instead of at Mukden, old Chinese city and long recognized as the "capital" of Manchuria.

Uncertainty in Manchuria

The Shanghai *China Weekly Review* significantly points out that though the personnel of the new government is Chinese, it is backed, and outnumbered, by Japanese "advisers."

There is small doubt that Manchuria might profit in an economic sense under Japanese guardianship if Chinese resentment could be overcome. However, with 95% of the population Chinese, and these pushed by propaganda from China proper and by a slowly growing sense of nationalism, it is improbable that much progress can be made in the near future. There is also the delicate problem of "managing" the obstreperous residents of the northern section of the country without coming into conflict with Soviet interests. All these factors contribute to the uncertainty which is retarding business recovery.

Tokyo is still unsettled though there is already growing activity in preparing shipments of construction materials for Manchuria where the Japanese have already outlined extensive developments, now that they feel they have effective police control of the territory.

In the Nagoya region last week, a run on the Meiji bank, largest of 5 serving the industrial community, resulted in the suspension of payments. The run was precipitated after rumors that negotiations for the merging of the Meiji and Aichi had fallen through. The run might have spread to other banks had the Bank of Japan not come promptly to their rescue.

Australia Lowers Tariffs

Australia stirred export interest this week by removing import restrictions on 43 items, lowering the duty on 69, and eliminating the surtax on one-half the duty on 19, in an effort to stir up stagnant trade. Americans are particularly interested in the lifting of restrictions on imports of agricultural implements, electrical and gas appliances, dry batteries and cells, lard, canned meats, cement, tobacco, cigarettes.

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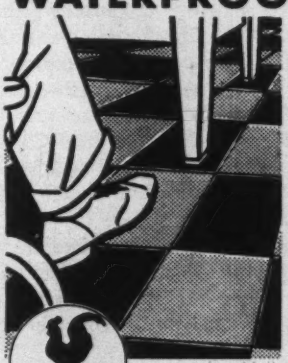

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The Figures of the Week And What They Mean

Business activity still hovers around the low levels with the usual seasonal improvement lacking. . . . February department store sales show no change from January. . . . The minor improvement in steel operating activity is due to the minor, miscellaneous consumers rather than to the major steel consumers. . . . Ford business is still a prospect rather than a reality. . . . February showed gains in construction of the non-residential and public works classes compared to January, but residential building continues to decline. . . . Currency outstanding reflects improvement in public confidence in the banking structure.

THE situation in steel circles has been practically unchanged for the past few weeks. A slight rise in the operating rate of ingot production for the week ending Mar. 7 brings the adjusted index to 35% of normal against 34% the preceding week. The gain is attributed to small improvement in demand from miscellaneous consumers. The major steel users—motor manufacturers, railroad, and construction industries—continue to remain on the sideline waiting for the business worm to turn.

Steel Production

As expected, the gain in the daily rate of steel ingot production during February was less sharp than for pig iron, amounting to less than 4%. Operations are estimated at 27.6% of capacity compared with 26.5% the preceding month and 49.1% a year ago. This unprofitable level of activity gives further impetus to the efforts to stabilize prices. Unfilled orders of the U. S. Steel Corp. at the close of February stood at 2,545,629 tons, a decline of 102,521 tons from January.

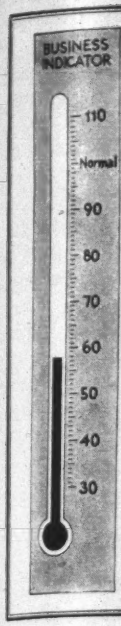
The extensive orders anticipated from the Ford plants are still being anticipated. A number of manufacturers of Ford parts are said to have received orders which they stand ready to ship on word from Ford, but no business of consequence has been booked with steel companies. As a result of this delay by a major motor manufacturer, the "wheels of industry" have been slowed down after what gave promise of being a good start.

Both production and sales of automobiles received a setback in February which is laid at the door of Ford, whose announcement of new models at low prices has retarded both manufacturers and consumers. The National Automobile Chamber of Commerce estimates that February output of motor vehicles in the United States and Canada will total some 118,559 units compared with 123,075 in January and 229,811 a year ago. This is a decline of 4% for the month and 48% from a year ago. Sales to consumers and dealers by the General Motors Corp. during February declined from the January level, a trend that is contrary to the usual seasonal tendency. For the first 2 months of 1932, sales to consumers in the United States ran 27% under the same period of 1931, while sales to dealers lagged 25%.

Steel reports that railroads are increasing shop operations and moderately

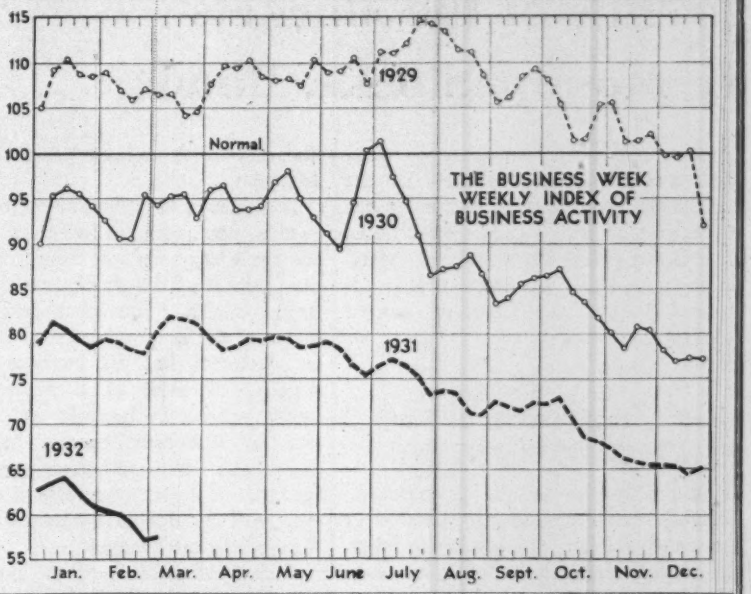
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*57.7	†57.4	80.3	
PRODUCTION				
Steel Ingot Operation (% of capacity)	27	26	54	79
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,773	$3,813	$9,660	$14,297
Bituminous Coal (daily average, 1,000 tons)	*1,085	1,105	1,264	1,688
Electric Power (millions K.W.H.)	1,520	1,512	1,664	1,611
TRADE				
Total Carloadings (daily average, 1,000 cars)	96	95	122	152
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	62	80	98
Check Payments (outside N. Y. City, millions)	$3,557	$2,638	$5,273	$6,114
Money in Circulation (daily average, millions)	$5,594	$5,605	$4,601	$4,693
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.52	$.55	$.70	$1.13
Cotton (middling, New York, lb.)	$.071	$.071	$.111	$.160
Iron and Steel (STEEL composite, ton)	$29.53	$29.53	$31.61	$35.12
Copper (electrolytic, f.o.b. refinery, lb.)	$.058	$.057	$.100	$.149
All Commodities (Fisher's Index, 1926 = 100)	62.9	63.7	76.0	91.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,731	$1,752	$932	$1,185
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,523	$19,606	$22,621	$21,642
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,148	$7,171	$8,185	$8,629
Security Loans, Federal Reserve reporting member banks (millions)	$5,440	$5,438	$7,256	$6,996
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$552	$495	$1,819	$3,546
Stock Prices (average 100 stocks, Herald-Tribune)	$93.75	$92.26	$138.90	$153.32
Bond Prices (Dow, Jones, average 40 bonds)	$81.30	$79.98	$96.63	$96.28
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months)	3½–3¾%	3½–4%	2½%	4.2%
Business Failures (Dun, number)	659	637	614	524

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



expanding their steel purchases. Awards for freight cars in the first 2 months this year total 194 against 150 last year and 22,099 in 1930. But the 66% decline in net railway operating income of Class I roads in January compared with a year ago does not hint at any volume support of the steel industry from this quarter. Financial assistance from the Reconstruction Finance Corp. is not likely to be generous enough to enable more than the most necessitous purchases.

Contracts Awarded

Structural awards have shown a slight improvement in the past few weeks, particularly due to a greater volume of public works contracts awarded. But the total volume is still small. Eagerness to secure what little is available is indicated by the 350 bids brought out by a single project. Pipe inquiries are becoming more numerous.

Though February was a short month compared with January, the total value of contracts awarded in the 37 states made a 5% gain, which is in line with the usual seasonal trend. The increase was due to the 18% gain in public works and utilities awards and a more than 9% gain in non-residential contracts. Our adjusted index for the period ending Feb. 26 remains at 25% of normal.

No improvement is yet apparent in the residential field. Only $24,417,300 of contracts were awarded, representing a 3.5% decline on a daily basis from January and 70% from a year ago. Non-residential contracts were worth $36,347,700, a gain of 19% over the January daily average, but a 56% decline from February, 1931. Public works and utilities awards totaled $28,280,800, equal to a 28% gain over the January average and a 66% decline from last year. On a daily basis, also, the value of all awards which aggregated $89,045,800, made a 14% gain over January and lost 64% from a year ago.

Bituminous Production

Bituminous coal production declined during the holiday week of Feb. 27, but since this is usual for the season, our adjusted index remains unchanged at 53% of normal. The sudden spurt of cold weather may give a belated stimulus to coal production, since stocks of coal are believed to be low.

Electric power production made a slight recovery after the holiday week, leaving our index unchanged at 74% of normal. But the comparison of the various regions of the country with the same week of 1931 indicates no improvement in power consumption. The central industrial region which would reflect any increased activity in the steel and automotive centers registered a 13% decline from a year ago, compared with a 12% decline the preceding 2 weeks.

Carloadings

Carloadings for the week of Feb. 27 were also affected by the partial observance of Washington's birthday, and declined. Even with allowance for a short week, loadings of miscellaneous and less than carlot freight failed to indicate any seasonal improvement. The adjusted index lost one point, declining to 57% of normal.

Bank debits for the week of Mar. 2 made the usual sharp recovery after the low February levels. The adjusted index for the week rose 2 points to 63% of normal.

Currency outstanding appears to be yielding to the entreaties of government officials and to the improved credit situation. A steady decline has been evident since the peak at the close of 1931. Since the trend is contrary to the customary seasonal trend of expansion, our adjusted index has dropped 2 points to a level 47% above normal for the week of Mar. 5.

Commercial loans have not indicated any tendency to expand in response to trade requirements. Our adjusted index of Mar. 2 stands unchanged at 13% above normal.

Commodity Prices

There is little evidence of marked strength in commodity prices. Wheat and corn prices moved within narrow limits. The government Mar. 1 report on the quantity of wheat and corn held on the farms was not bullish. Cotton strengthened until Mar. 7 and then lost some of the gain.

Silk prices were under pressure when credit uncertainties developing in Japan became more evident. Sugar continues to hover around the low ground with crop uncertainties still undispelled. Coffee, rubber, and hides were weak, but cocoa made some gains.

The non-ferrous metal markets still labor under the uncertainties of production restriction efforts. Settlement is expected soon with an operating rate set around 20% of capacity.

Trends of the Markets In Money, Stocks, Bonds

The aggressive monetary fight against depression continued in the United States, and there was a further relaxation of world credit conditions. . . . Bond prices kept up their heartening increase. . . . Stock prices advanced, then the market turned hesitant.

Credit Improvement Puts Next Move Up to Banks

WHILE slightly, though not generally quotably, easier conditions prevailed in the money markets this week, the financial Big Push against depression continued aggressively and there was further relaxation of world monetary conditions.

Tactics to cause credit expansion were continued by the Reserve system through considerable purchases of both acceptances and government securities. At the same time, currency circulation declined considerably more than seasonally as hoarding continued to wane. The funds thus provided the banks were used to cause a sharp reduction in their indebtedness to the Federal Reserve, and the lessening of bank debt is an important means toward easing their position. Supplementing these factors was a $12-million rise in American gold stock, the first increase since Dec. 23, last year.

In addition to reduction of the debt burden, bank reserves increased slightly and there were signs of improvement in the position of the small, as well as the larger, banks. The loans and investments of the leading banks of the country declined, but an increase in the deposits of most of them, plus the small increase in reserves would indicate an imminent change in trend. Should the banks not increase credit on the basis of higher reserves and deposits they will be openly controverting the Administration program.

Easing of bank position continued also through the loans of the Reconstruction Finance Corp. Latest reports were that more than 255 banks had already received aid from this organization.

Brokers' Loans Up

The abrupt increase in brokers' loans accompanied a rising stock market (which later turned weak) and indicated a rising speculative interest. Both out-of-town and New York City banks added to their funds in the call market.

Rapid oversubscription to the Treasury's March 15 borrowing showed more plentiful credit, confidence that the budget would be balanced and was also a reaction to the liberality of the rate offered by the Treasury.

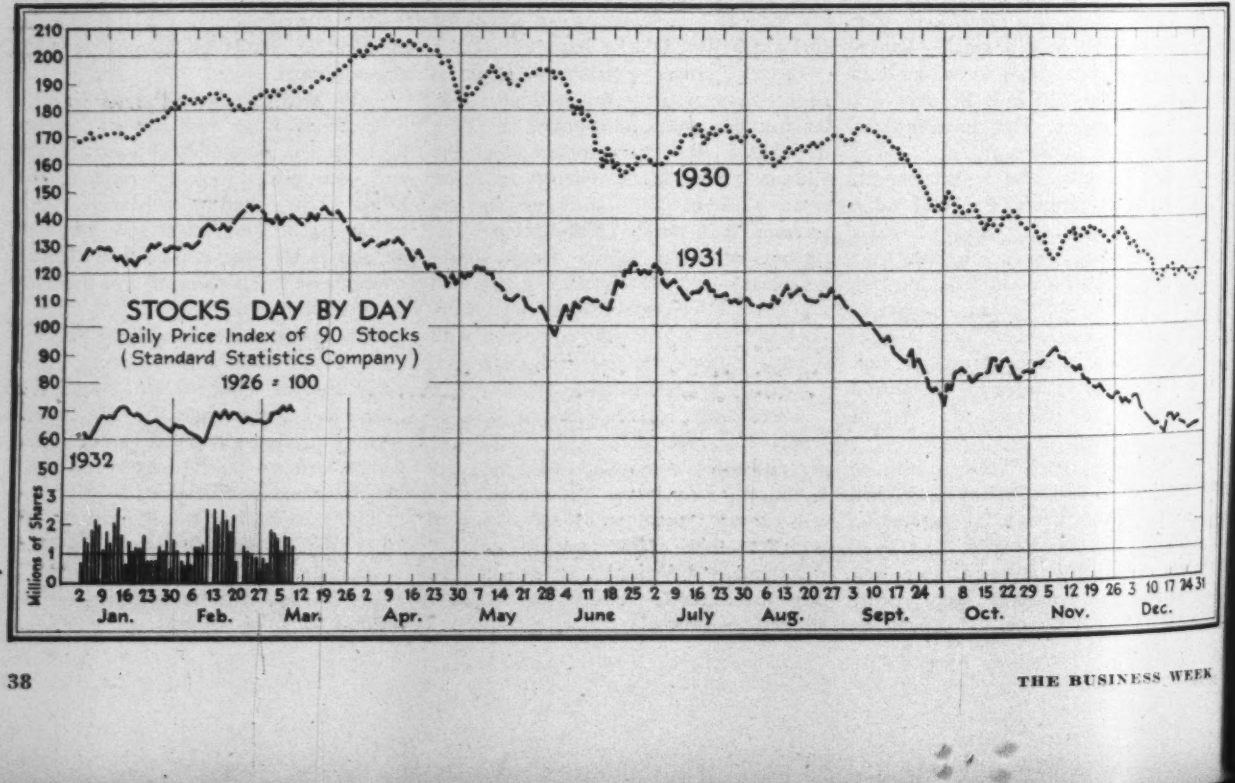
Some savings bank rate reductions occurred, and there were reports that more are imminent.

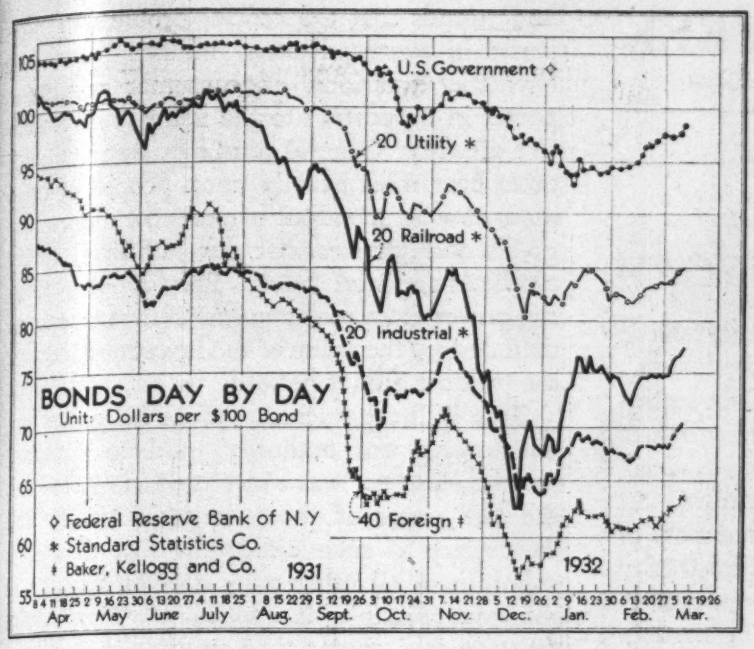
Abroad the week was marked by reduction in the discount rates of the central banks of England, Germany, Ireland, and Denmark. The strengthened position of Britain was marked by a skyrocketing of sterling exchange, too rapid to suit the British. Other exchanges fluctuated widely. During most of the week the franc, Swiss franc, belga and guilder were off, indicating the end of the flight of funds to those currencies, but toward the end they rose again.

Stock Market Is Still Watching Business Index

THOUGH the average of industrial stock prices was led into new high ground for the year by the strength shown by selected groups and the week was marked by considerable vigor in the utility section, sustained interest and rallying power are still absent from the common stock market. Trading was dull and largely professional. The railroad list, with an average well below the previous highs for this year, offered little encouragement to the chart-readers.

Stocks still fail to feel anything like the stimulus that has lifted bond prices and were little affected by this week's signs of improvement in Europe. What showing the market did make was con-





centrated largely in copper, oil, food and merchandising stocks. And these groups benefited either from a touch of speculation or because the more conservative interest has been switching over to them. Food stocks, particularly, were stirred up by the latter influence.

The week was lacking in news developments of much moment. The short sale inquiry seems to be faltering in Washington, though it probably will be carried through. Continued steady purchases by small buyers were reflected in the General Motors' report showing a gain of 32,000 stockholders in the first quarter of the year.

But neither transitory news developments nor the lack of them can account for the market's hesitation. The important fact is that the situation of many weeks is unchanged: business has not yet been stimulated. On the contrary, it has not even felt—as yet—the usual seasonal stimulus. Under such conditions, there is no present basis for advances in stock prices, and the market obviously does not yet see in current developments any certainty that financial improvement is going to aid business and thus help earnings.

Budget Balancing Supports Bond Rise

BONDS continued their steady advance through this week, all groups sharing. The current rally can already claim a place in history beside the outstanding rises of the past 10 years.

All this provides a striking contrast with the halting movement of stocks, but the contrast is explainable. First, bond interest comes ahead of the equities, and the financial reorganizations now progressing on a considerable scale further strengthen the position of the bondholder at the expense of the stockholder (page 10). Second, by providing the funds with which to pay them, the government is going further and further in the direction of guaranteeing fixed charges. Third, government operations have lifted liquidation from the market. Fourth, easing money rates make bonds more attractive.

Shoved by Washington

Fifth and perhaps most important influence is that found in the definite moves now being made toward balancing the federal budget. These, in connection with easier money, are certainly the basis for the marked advance in federal securities, and the effect here is important throughout the market.

The rise already has set the market thinking about new issues and should a considerable new-issue volume become practical business would be aided greatly. One danger in such a situation is that the rising market will be overburdened with new issues by borrowers anxious to "get theirs" before it is too late. However issuing houses realize this and there is reassurance in reports that they are seeking agreement among themselves to prevent such an occurrence.

Municipal obligations, not shown in the chart on this page, have participated in the general improvement.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

March 16, 1932

Brake on Recovery

THE astute Administration, seeing the zealous Democrats in the House hungry for kudos on a record of accomplishment before November, has given them plenty of rope with which to hang themselves, and they have done it nicely in their new revenue bill. Both parties have made their genuflections to the sacred bull of the Balanced Budget, but the Administration was quite willing to let the Democrats undertake to feed the animal by a general consumption tax. It is unequivocally on record against general sales taxation, Mr. Mills having said a short while since that it is unfair, bad for business, and costly for government.

Neither budget balancing nor general consumption taxation to do it is necessary or desirable in depression, but the latter is the greater fiscal folly and the Administration is lucky to escape the onus of it. We are solemnly assured that upsetting the balanced budget by borrowing maketh its sacred cow sister, the Public Credit, sick. Who worried about her health when during the war we borrowed twenty billions for unproductive and explosive purposes? Government borrowing out of bank credit is inflation, of course, but who still doubts that some inflation is necessary for recovery? Certainly not the Administration any longer.

But if the budget must be balanced and the government kept solvent though all other business be broke, general consumption taxes are surely the last way to do it. Whether or not they are costly and difficult to administer, they are bound to retard recovery from depression. They inevitably act as a brake on consumption at a time when increased consumption is the only salvation for business. Consumption taxes mean further deflation and contraction when the Administration is moving heaven and earth for a little inflation and expansion.

The reasons for this are simple to anyone who understands that the central problem of prosperity in every advanced industrial nation is now the expansion of consumer purchasing power in proportion to the increase in productive capacity. General consumption or turnover taxes bear most heavily upon people of small incomes who spend all of them for most of the goods and services that our industrial system produces and tries to sell. They divert purchasing power from consumption to investment and then destroy the value of the investment because the product cannot be sold.

This is fiscal suicide, and as Seligman, our outstanding tax authority, said to Congress when a sales tax was considered in 1921, "It is the last resort of those countries which find themselves in such difficulties that they must subordinate all other principles of taxation to the one principle of adequacy." Heavy sales taxation is a stigma that attaches to the fiscal system of every backward and benighted nation, and is an underlying cause of their backwardness because it retards business expansion and the development of new industries.

But even the desperate principle of adequacy is no excuse for resorting to a general sales tax in the present situation in this country. If it were considered necessary to raise new revenue by increased excise taxes, and the Democrats were unwilling to adopt the Treasury's plan, it would have been more consistent to have suggested a stiff excise tax on beer and light wines, under a modified Volstead Act, with moderate taxes or tariffs on tea and coffee, which are not produced in this country. These would yield as much as the proposed production tax to balance the budget without unbalancing any intemperate individual through inebriation or putting a brake on business recovery when enterprise should be stepping on the accelerator of consumer buying power.

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